

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000
COMMISSION FILE NUMBER 000-30141

LIVEPERSON, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation)

13-3861628
(IRS Employer Identification No.)

330 WEST 34TH STREET, 10TH FLOOR
NEW YORK, NEW YORK
(Address of principal executive
offices)

10001
(Zip Code)

(212) 918-2100
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: COMMON STOCK, PAR
VALUE \$0.001 PER SHARE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. /X/

The aggregate market value of the voting common stock held by non-affiliates
of the registrant as of March 15, 2001 was \$23,739,925 (based on the last
reported sale price on the Nasdaq National Market on that date). The registrant
does not have any non-voting common stock outstanding. On March 15, 2001,
33,969,381 shares of the registrant's common stock were outstanding.

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

PART I

ITEM 1. BUSINESS

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 services enable our clients to communicate with Internet users in a variety of ways, including principally 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.

Our services are comprised of a Customer Interaction Suite, including LivePerson Chat (our text-based chat service), LivePerson Knowledge (our intelligent frequently asked question service), and our telephone call-back services, offering our clients additional opportunities to interact with Internet users. In October 2000, we acquired HumanClick Ltd., an Israeli-based provider of real-time, on-line customer service applications to small- and mid-sized businesses. We currently offer the HumanClick services (known as Pro, Express and Free) as separately-branded, real-time, text-based chat services.

We are an application service provider, and we offer our proprietary real-time interaction technologies as outsourced services. Our technologies require limited or no software or hardware installation by our clients or Internet users. Upgrades to our services 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 services offer our clients the opportunity to increase sales by answering Internet user questions and solving Internet user problems at critical points in the buying process. They also enable 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 800 clients, including numerous online retailers, online service providers and traditional offline businesses with a Web presence. Our largest clients in 2000 included American Power Conversion (APC), Bank of Montreal, Electronic Arts, iQVC, Last Minute Network, National Discount Brokers and Neiman Marcus.

INDUSTRY BACKGROUND

The Internet is evolving from primarily a static information source to a widely accepted medium for commerce. Approximately 850,000 businesses offered 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 user feedback provides Web site owners with input on product and service offerings, preferences and Web site usability.

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 or to provide answers to routine customer inquiries using a searchable knowledge base of frequently asked questions. This improves Web site communication and enhances the online shopping experience.

To implement our text-based chat and our frequently asked questions services, 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 includes 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 services give 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 services are outsourced applications, 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 customization. Our clients do not need to install any hardware or software in order to immediately provide the LivePerson services, other than any hardware or software they might need to install in order to connect to the Internet generally. Clients using the HumanClick service simply download software via the Internet to install the service on their Web site. In addition, our clients' operators and Internet users can use our services with any standard Web browser.
- AUTOMATIC UPGRADES. We install all upgrades to the LivePerson services 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 services 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 services 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 services, 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 our overall suite of services. 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 services 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. Our brand name is generally prominently displayed on the pop-up dialogue window that appears when an Internet user commences a text-based chat. We believe that high visibility placement of our brand name will create greater brand awareness and increase demand for the LivePerson services. 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 services, develop broader applications for our services 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. In October 2000, we acquired HumanClick Ltd., an Israeli-based provider of real-time, on-line customer service applications to small- and mid-sized businesses. We have also entered into selected strategic alliances with customer service call centers to support our telephone call-back service and to provide customer service representatives for our clients, 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 have translated the user interface for the LivePerson services into a variety of languages, presently including Dutch, French, German, Italian, Portuguese, Spanish and Swedish. We intend to expand our international presence to better penetrate these markets and are evaluating strategies to implement international expansion.

THE LIVEPERSON SERVICES

LIVEPERSON CHAT

The LivePerson Chat service appear 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 real-time text-based interaction. In many instances, pre-formatted responses are used to respond to Internet user inquiries.

LivePerson Chat provides the following features and benefits:

- 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.
- 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.
- 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.

HUMANCLICK SERVICES

The HumanClick Chat service offers real-time, text-based interaction as a communication vehicle between our clients' operators and Internet users, at a lower per-seat cost to our clients than our LivePerson Chat service.

The HumanClick service provides the following features and benefits:

- REAL-TIME MONITORING. Notifies our clients' operators via an audible alert when an Internet user visits the clients' Web site.
- PROACTIVE ENGAGEMENT. Allows our clients' operators to send a message to an Internet user visiting the clients' Web site, inviting the user to initiate a chat.

- REPEAT VISITOR IDENTIFICATION. Informs our clients' operators when an Internet user initiating a chat has a history of prior chats with that clients' operators. Our clients' operators can immediately access prior chats.
- CHAT WINDOW AND CHAT BUTTON CUSTOMIZATION. Allows our clients to implement custom-designed pop-up dialog windows and chat icons.
- AUTO-PROVISIONING. Allows clients to create and maintain their HumanClick accounts via a Web-based interface.
- EMAIL SIGNATURE. Enables clients' operators to add a HumanClick icon to outbound email messages, enabling recipients of those email messages to initiate a chat by clicking on the icon.

LIVEPERSON KNOWLEDGE

LivePerson Knowledge is an intelligent frequently asked questions service that seamlessly integrates with LivePerson Chat to enhance online sales and service efforts by offering Internet users a self-help option, which is especially useful for those customers with routine inquiries. LivePerson Knowledge allows our clients to provide their customers with access to a searchable knowledge base of frequently asked questions 24-hours per day/seven-days per week, whether or not their customer service operators are available. The searchable knowledge base features automatic prioritization of answers based on frequency of selection and effectiveness in answering customers' questions. Frequently asked questions can be searched by either entering a keyword or by clicking on a drop-down navigation bar to search by topic.

- INTEGRATED KNOWLEDGE BASE. The LivePerson knowledge base, where pre-formatted responses are created and stored, integrates seamlessly with LivePerson Chat. As a result, pre-formatted responses need only be created or edited once for use with either service.
- MOST RECENT QUESTION. When customers proceed to a LivePerson Chat after using LivePerson Knowledge, operators see the most recent question asked by the customer allowing the operator to quickly understand the nature of the customer's inquiry.
- REPORTING. Reporting tools allow our clients to monitor customer request volume and the top 100 search phrases used.

CLIENTS

Our client base includes 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 representative list of our clients among those generating at least \$2,000 in revenue during 2000:

APC
 Bank of Montreal
 Cable & Wireless
 CMC Group Plc
 CyBerCorp
 Drake Software Solutions
 EarthLink
 Electronic Arts
 Financial Times
 Forextrading.com
 Harris Interactive
 Digital Insurance
 HealthAxis.com
 IMX Exchange
 Intuit
 iQVC
 JB Oxford & Company
 Kinko's
 Laidlaw Global Services
 Last Minute Network
 National Discount Brokers
 Neiman Marcus
 Playboy.com
 PlayersOnly.com
 Priceline.com
 Schneider National
 ScreamingMedia
 ShopAtHome
 Vignette
 Warrior Insurance Group

SALES, CLIENT SUPPORT AND MARKETING

SALES. We sell the LivePerson services primarily via telephone as a monthly fee service. Due to the relatively low start-up costs of the LivePerson services, 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 the HumanClick text-based chat service primarily through customer-direct Web downloads, as a monthly fee service.

We sell the LivePerson services 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 services 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 we are paid a commission based on revenue generated for these service companies from clients referred by LivePerson. Aggregate commissions generated under such agreements to date, as a percentage of total LivePerson services revenue, have not been material, although we expect such commissions to increase in both absolute terms and as a percentage of total LivePerson services revenue over time.

CLIENT SUPPORT. Our client services group assists the client in launching the LivePerson services, and manages our ongoing relationship with the client. Each client has access to help desk services and a client services manager for assistance with service questions.

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

- **ACCOUNT SET-UP.** We create operator names and passwords for our client.
- **SITE SET-UP.** Our client places our HTML link on their Web site.
- **TRAINING.** We provide telephone-based training of operators and administrators.

Set-up 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.

Clients who purchase our HumanClick text-based chat service download software via the Internet and install it on their servers. These clients have access to client services representatives via the Internet, using the HumanClick Chat service.

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. Marketing efforts for the HumanClick service consist primarily of direct communication efforts to potential and existing users through interactive email and real-time chat, as well as channel support through newsletters and trade publications.

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., RightNow Technologies, Inc. and WebLine Communications (a part of Cisco Systems' applications technology group), some of which 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 services:

- 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.

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 services 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. The European Union and many countries within the E.U. have adopted privacy directives or laws that strictly regulate the collection and use of personally identifiable information of Internet users. The United States has adopted legislation which governs the collection and use of personally identifiable information of children under 13. The U.S. Federal Trade Commission has also taken action against Web site operators who do not comply with their stated privacy policies. Furthermore, Canada has recently adopted legislation governing the collection and use of personal information. These and other governmental efforts may limit our clients' ability to collect and use information about their Internet users through our services. As a result, such laws and efforts 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.

In addition to privacy legislation, 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. The U.S. Patent and Trademark Office has issued a non-final office action rejecting our initial patent application. We have responded to the office action but we cannot assure you that a patent will eventually be issued to us. Furthermore, 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 U.S. Patent and Trademark Office has issued non-final office actions with respect to our trademark applications, requesting additional information and making refusals. However, no final determinations as to the registrability of the marks have been made. We have responded to these office actions and, as a result, one of our trademark applications has been approved for publication. The U.S. Patent and Trademark Office has not yet responded with respect to our other two applications and, ultimately we may not be able to secure registration of any 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 services 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 services 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 services, 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 1, 2001, we had 111 full-time employees. Members of senior management have entered into employment agreements with us, some of which are described in "Part III. Item 11. Executive Compensation--Employment Agreements." None of our employees are covered by collective bargaining agreements. We believe our relations with our employees are good.

ITEM 2. PROPERTIES

We currently lease an aggregate of approximately 83,500 square feet on two floors at our headquarters location in New York City, which lease provides for approximately 40,500 square feet on one floor through March 2010 and approximately 43,000 square feet on the second floor through February 2011.

We also maintain offices in San Francisco, California of approximately 7,850 square feet, under a lease expiring in January 2005, and offices in Abingdon, England of approximately 400 square feet, under a monthly lease agreement.

Our wholly-owned subsidiary, HumanClick Ltd., maintains offices in Moshav Bnei Zion, Israel of approximately 2,700 square feet, under leases expiring in 2002, and offices in Oakland, California of approximately 250 square feet, under a monthly lease agreement.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of stockholders through the solicitation of proxies or otherwise during the fourth quarter of the fiscal year ending December 31, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

Our common stock has been quoted on the Nasdaq National Market under the symbol "LPSN" since our initial public offering on April 7, 2000. The following table sets forth, for the periods indicated, the range of high and low bid information (in dollars per share) of our common stock as quoted on the Nasdaq National Market:

	HIGH	LOW
	----	---
Year ended December 31, 2000:		
Second Quarter (from April 7, 2000).....	\$11.00	\$5.375
Third Quarter.....	\$ 9.50	\$3.625
Fourth Quarter.....	\$ 4.16	\$0.875

HOLDERS

As of March 12, 2001, there were approximately 1,708 holders of record of our common stock.

DIVIDEND POLICY

We have not declared or paid any cash dividends on our capital stock since our inception. We intend to retain earnings, if any, to finance the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

RECENT SALES OF UNREGISTERED SECURITIES

We sold 94,500 shares of common stock on May 11, 2000 for \$151,200 to ShopNow.com Inc. (now known as Network Commerce Inc.) pursuant to the exercise of an option. We issued 4,238,405 shares of common stock on October 12, 2000 to the shareholders of HumanClick Ltd. ("HumanClick") in connection with our acquisition of all of the outstanding capital stock of HumanClick. All such issuances were made pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, because the issuances did not involve any public offering.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On April 12, 2000, we consummated our initial public offering of 4,000,000 shares of common stock, for which trading on the Nasdaq National Market commenced on April 7, 2000, pursuant to the Registration Statement on Form S-1, file number 333-95689, which was declared effective by the Securities and Exchange Commission on April 6, 2000. The managing underwriters of the offering were Chase Securities Inc., Thomas Weisel Partners LLC and PaineWebber Incorporated. The offering did not terminate until after the sale of all securities registered. The aggregate price of the offering shares was \$32.0 million and our net proceeds were approximately \$28.1 million after underwriters' discounts and commissions of approximately \$2.2 million and other expenses of approximately \$1.7 million. Except for salaries, and reimbursements for travel expenses and other out-of-pocket costs incurred in the ordinary course of business, none of the proceeds from the offering have been paid by us, directly or indirectly, to any of our directors or officers or any of their associates, or to any persons owning ten percent or more of our outstanding stock or to any of our affiliates. As of December 31, 2000, we have used approximately \$6.7 million of the net proceeds from the offering for product development costs, sales and marketing activities and working capital, and invested the remainder in cash and cash equivalents and short-term marketable securities pending its use for other purposes.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data with respect to our consolidated balance sheets as of December 31, 2000 and 1999 and the related consolidated statements of operations for the years ended December 31, 2000, 1999 and 1998 have been derived from our audited consolidated financial statements which are included herein. The consolidated financial data for the year ended December 31, 2000 includes the results of operations of HumanClick from October 2000 (the date of its acquisition). See note 2 to our consolidated financial statements for further information concerning the acquisition. The selected financial data with respect to our balance sheets as of December 31, 1998, 1997 and 1996 and the related statements of operations for the years ended December 31, 1997 and 1996 have been derived from our audited financial statements which are not included herein. The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and the notes thereto and the information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Revenue:					
Service revenue.....	\$ 6,279	\$ 576	\$ 1	\$ --	\$ --
Programming revenue.....	--	39	378	245	11
Total revenue.....	6,279	615	379	245	11
Operating expenses:					
Cost of revenue, exclusive of \$1,109, \$198, \$0, \$0 and \$0 for the years ended December 31, 2000, 1999, 1998, 1997 and 1996, respectively, reported below as non-cash compensation expense.....	7,888	856	70	121	6
Product development, exclusive of \$1,476, \$566, \$0, \$0 and \$0 for the years ended December 31, 2000, 1999, 1998, 1997 and 1996, respectively, reported below as non-cash compensation expense.....	8,209	1,637	93	--	--
Sales and marketing, exclusive of \$4,822, \$577, \$0, \$0 and \$0 for the years ended December 31, 2000, 1999, 1998, 1997 and 1996, respectively, reported below as non-cash compensation expense.....	14,529	3,987	33	--	--
General and administrative, exclusive of \$5,838, \$1,338, \$25, \$0 and \$0 for the years ended December 31, 2000, 1999, 1998, 1997 and 1996, respectively, reported below as non-cash compensation expense.....	6,994	1,706	178	130	36
Amortization of goodwill and other intangibles.....	619	--	--	--	--
Non-cash compensation expense, net.....	13,245	2,679	25	--	--
Total operating expenses.....	51,484	10,865	399	251	42
Loss from operations.....	(45,205)	(10,250)	(20)	(6)	(31)
Other income (expense):					
Other income.....	65	--	--	--	--
Interest income.....	1,839	474	--	--	1
Interest expense.....	(33)	(1)	--	--	--
Total other income, net.....	1,871	473	--	--	1
Net loss.....	(43,334)	(9,777)	(20)	(6)	(30)
Non-cash preferred stock dividend.....	18,000	--	--	--	--
Net loss attributable to common stockholders.....	\$ (61,334)	\$ (9,777)	\$ (20)	\$ (6)	\$ (30)
Basic and diluted net loss per common share.....	\$ (2.50)	\$ (1.38)	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average basic and diluted shares outstanding.....	24,535,078	7,092,000	7,092,000	7,092,000	7,092,000

	DECEMBER 31,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents.....	\$ 20,449	\$ 14,944	\$ 107	\$ 10	\$ 2
Working capital (deficit).....	20,280	13,380	(30)	(35)	(29)
Total assets.....	47,000	19,570	142	30	2
Redeemable convertible preferred stock.....	--	18,990	--	--	--
Total stockholders' equity (deficit).....	42,775	(2,046)	(30)	(35)	(29)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

YOU SHOULD READ THE FOLLOWING DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS IN CONJUNCTION WITH OUR CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED ELSEWHERE IN THIS REPORT. STATEMENTS IN THE FOLLOWING DISCUSSION ABOUT LIVEPERSON THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS BASED ON OUR CURRENT EXPECTATIONS, ASSUMPTIONS, ESTIMATES AND PROJECTIONS ABOUT LIVEPERSON AND OUR INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE SUCH STATEMENTS TO DIFFER MATERIALLY FROM ACTUAL FUTURE EVENTS OR RESULTS. ANY SUCH FORWARD-LOOKING STATEMENTS ARE MADE PURSUANT TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. IT IS ROUTINE FOR OUR INTERNAL PROJECTIONS AND EXPECTATIONS TO CHANGE AS THE YEAR OR EACH QUARTER IN THE YEAR PROGRESS, AND THEREFORE IT SHOULD BE CLEARLY UNDERSTOOD THAT THE INTERNAL PROJECTIONS AND BELIEFS UPON WHICH WE BASE OUR EXPECTATIONS MAY CHANGE PRIOR TO THE END OF EACH QUARTER OR THE YEAR. ALTHOUGH THESE EXPECTATIONS MAY CHANGE, WE ARE UNDER NO OBLIGATION TO INFORM YOU IF THEY DO. OUR COMPANY POLICY IS GENERALLY TO PROVIDE OUR EXPECTATIONS ONLY ONCE PER QUARTER, AND NOT TO UPDATE THAT INFORMATION UNTIL THE NEXT QUARTER. ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN THE PROJECTIONS OR FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED BELOW AND ELSEWHERE IN THIS REPORT, PARTICULARLY IN THE SECTION ENTITLED "--RISK FACTORS THAT MAY AFFECT FUTURE RESULTS."

RECENT EVENTS

In the first quarter of 2001, following a review of our business in connection with our acquisition of HumanClick, we commenced restructuring initiatives to streamline our operations, including the consolidation of our two San Francisco Bay area offices. The restructuring is expected to result in a reduction of our workforce by approximately 90 people by the end of the first quarter of 2001. In the first quarter of 2001, we expect to record a charge of approximately \$3.0 million for severance and other expenses related to the restructuring. In addition, in the first quarter of 2001, three senior executives left LivePerson, including most recently, our President and Chief Operating Officer. Our Chief Financial Officer, Timothy E. Bixby, has assumed the additional position of President.

OVERVIEW

LivePerson is a leading application service provider of technology that facilitates real-time sales and customer service for companies doing business on the Internet. We offer our proprietary real-time interaction technology as an outsourced service. We currently generate revenue from the sale of our LivePerson services, which enables our clients to communicate directly with Internet users via text-based chat, and to a lesser extent from related professional services. 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 services and phased out our prior programming efforts, which last generated revenue in December 1999. We introduced the LivePerson services 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 converted, at a two-for-three ratio, into 4,736,842 shares of common stock upon the closing of our initial public offering on April 12, 2000, together with our other outstanding convertible preferred stock. In connection with the issuance of our series D redeemable convertible preferred stock, we recorded a non-cash preferred stock dividend of \$18.0 million, which relates to the beneficial conversion feature associated with such preferred stock. The amount of this dividend is limited to the gross proceeds received by us in connection with the sale of our series D convertible preferred stock and was recorded in the first quarter of 2000 because the series D convertible preferred stock was, at the time it was issued, immediately convertible at the option of the holder.

On April 12, 2000, we consummated our initial public offering, which resulted in the issuance of 4,000,000 shares of our common stock at \$8.00 per share, from which we received net proceeds of approximately \$28.1 million.

On October 12, 2000, we acquired HumanClick Ltd., a private company organized under the laws of Israel. The purchase price was \$9.7 million, which included the issuance of 4,238,405 shares of our common stock valued at \$9.1 million and acquisition costs of \$241,000. Through December 31, 2000, operating expenses incurred by us related to HumanClick since the date of acquisition have not had a material effect on our 2000 statement of operations. We expect such expenses to increase in absolute dollars over time; however, we do not expect such expenses to change materially as a percentage of revenue.

UNAUDITED QUARTERLY RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our financial information for the eight most recent quarters ended December 31, 2000. In our opinion, this unaudited information has been prepared on a basis consistent with our annual consolidated 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 consolidated financial statements, including the related notes, included elsewhere in this annual report. The results of operations for any quarter are not necessarily indicative of results that we may achieve for any subsequent periods.

	QUARTER ENDED							
	DEC. 31, 2000	SEPT. 30, 2000	JUNE 30, 2000	MAR. 31, 2000	DEC. 31, 1999	SEPT. 30, 1999	JUNE 30, 1999	MAR. 31, 1999
	(IN THOUSANDS)							
Revenue:								
Service revenue.....	\$ 2,330	\$ 1,849	\$ 1,326	\$ 774	\$ 396	\$ 139	\$ 26	\$ 15
Programming revenue.....	--	--	--	--	3	4	23	9
Total revenue.....	2,330	1,849	1,326	774	399	143	49	24
Operating expenses:								
Cost of revenue.....	2,443	2,216	2,039	1,190	608	173	51	24
Product development.....	2,079	2,212	2,151	1,767	873	478	147	139
Sales and marketing.....	4,089	3,223	3,792	3,425	2,111	1,429	396	51
General and administrative.....	1,670	2,034	1,990	1,300	937	422	189	158
Amortization of goodwill and other intangibles.....	619	--	--	--	--	--	--	--
Non-cash compensation expense, net.....	256	2,031	5,002	5,956	2,342	170	117	50
Total operating expenses.....	11,156	11,716	14,974	13,638	6,871	2,672	900	422
Loss from operations.....	(8,826)	(9,867)	(13,648)	(12,864)	(6,472)	(2,529)	(851)	(398)

	QUARTER ENDED							
	DEC. 31, 2000	SEPT. 30, 2000	JUNE 30, 2000	MAR. 31, 2000	DEC. 31, 1999	SEPT. 30, 1999	JUNE 30, 1999	MAR. 31, 1999
	(IN THOUSANDS)							
Other income (expense), net:								
Other income.....	65	--	--	--	--	--	--	--
Interest income.....	415	551	582	291	217	199	38	20
Interest expense.....	(20)	(13)	--	--	--	--	--	(1)
Total other income, net.....	460	538	582	291	217	199	38	19
Net loss.....	<u>\$(8,366)</u>	<u>\$ (9,329)</u>	<u>\$(13,066)</u>	<u>\$(12,573)</u>	<u>\$(6,255)</u>	<u>\$(2,330)</u>	<u>\$(813)</u>	<u>\$(379)</u>

Our revenue from the LivePerson services has increased in each of the last eight quarters, from \$15,000 to \$2.3 million, due primarily to increased market acceptance of our services, 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 have recently experienced slower revenue growth rates than in the past and we cannot assure you that we will experience any future revenue growth.

The increase in cost of revenue has been primarily due to the addition of client services personnel and the expansion of our technological infrastructure. Costs associated with the expansion of our technological infrastructure include, but are not limited to, depreciation and payments under our operating leases for certain computer equipment.

General and administrative costs have generally increased in each of the last eight quarters, from \$158,000 to \$1.7 million, principally due to an increase in the number of employees and related occupancy costs and, to a lesser extent, to professional fees. The decrease from \$2.0 million in the quarter ended September, 30 2000 to \$1.7 million in the quarter ended December 31, 2000 is primarily attributable to a decrease in occupancy and related costs associated with the consolidation of our New York offices and the reversal of certain employee bonus accruals which were not required.

Amortization of goodwill and other intangibles is related to our acquisition of HumanClick in October 2000. Prior to October 2000, we did not incur any amortization of goodwill and other intangibles.

The decrease in non-cash compensation expense from the quarter ended June 30, 2000 to the quarter ended December 31, 2000 is due to forfeitures of employee stock options associated with the termination of employees who left LivePerson primarily during the second half of 2000.

We have experienced substantial increases in our expenses since our introduction of the LivePerson services and we anticipate that certain expenses will continue to grow in the future. Although our revenue from the LivePerson services has grown in each of the quarters since their introduction, we have recently experienced slower revenue growth rates than in the past and we cannot assure you that we will experience any future revenue 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.

REVENUE

With respect to the LivePerson services, our clients pay us an initial non-refundable set-up fee, as well as a monthly fee for each operator access account, which we refer to as a "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 services. 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, revenue attributable to our monthly service fee for the years ended December 31, 2000 and 1999 accounted for 85% and 95%, respectively, of total LivePerson services 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. Our service agreements typically have no termination date and are terminable by either party upon 30 to 60 days' notice without penalty. We recognize monthly service revenue fees and professional service fees as services are provided. Professional service fees consist of training provided to customers. 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, pursuant to which LivePerson is paid a commission based on revenue generated by these service companies from our referrals. Aggregate commissions generated under such agreements to date, as a percentage of total LivePerson services revenue, have not been material, although we expect such commissions to increase in both absolute terms and as a percentage of total LivePerson services revenue over time.

Prior to November 1998, when the LivePerson services were introduced, we generated revenue from services primarily related to Web-based community programming and media design. Revenue from such services was \$0, \$39,000 and \$378,000 for the years ended December 31, 2000, 1999 and 1998, respectively. As of January 2000, we no longer generated any revenue from these services. Revenue generated from Web-based community programming and media design services was recognized upon completion of the project, provided that no significant obligations remained outstanding and collection of the resulting receivable was probable.

OPERATING EXPENSES

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

- compensation costs relating to employees who provide customer service to our clients, consisting of 41 people at December 31, 2000 (including 18 employees of HumanClick) and 17 people at December 31, 1999;
- compensation costs relating to our network support staff, consisting of 11 people at December 31, 2000 and 5 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 40 people (including 11 employees of HumanClick) and 15 people at December 31, 2000 and 1999, respectively, allocated occupancy costs and related overhead, outsourced labor and expenses for testing new versions of our software. Product development expenses are charged to operations as incurred.

Our sales and marketing expenses consist of compensation and related expenses for sales personnel and marketing personnel, consisting of 58 and 21 people at December 31, 2000 and 1999, respectively, 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 31 people (including 4 employees of HumanClick) and 15 people at December 31, 2000 and 1999, respectively, allocated occupancy costs and related overhead, professional fees, provision for doubtful accounts and other general corporate expenses.

In 2000, we increased our allowance for doubtful accounts to \$577,000 from \$85,000 at December 31, 1999, principally due to an increase in accounts receivable. 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 COMPENSATION EXPENSE

In the years ended December 31, 2000, 1999 and 1998, we recorded and aggregate of \$0, \$978,000 and \$25,000, respectively, of non-cash compensation expense in connection with grants to consultants of options to acquire an aggregate of 458,010 shares of our common stock. The total values ascribed to such options were determined using a Black-Scholes pricing model.

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. (now known as Network Commerce Inc.), a client, in connection with an agreement to provide the LivePerson services to Network Commerce 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 Network Commerce met certain targets. We granted these options as an incentive for entering into a two-year service agreement with us at a point in time when the LivePerson services were new and their viability was unknown. The option had no minimum revenue guarantee. At December 31, 1999, the total value ascribed to this option, using a Black-Scholes pricing model, was \$566,000. In 1999, we amortized \$86,000 of this deferred cost, of which \$24,000 was offset against the \$27,000 of revenue recognized from Network Commerce. The remaining \$62,000 constituted sales and marketing expense, all of which was recorded in the fourth quarter of 1999, and is included in non-cash compensation expense in our 1999 statement of operations.

In February 2000, we amended the option agreement. Under the amendment, the option became fully vested and immediately exercisable, and Network Commerce exercised the option in May 2000. Network Commerce has agreed, however, that it will not sell the underlying common stock until the earlier of five years or, if certain revenue criteria are met, May 19, 2001. The value ascribed to the option at the time the option agreement was amended, using a Black-Scholes pricing model, was \$1,014,000, which is being ratably amortized over the remaining service period of approximately fifteen months because the vesting of the option does not affect our obligation under the service agreement. In addition, the ratable amortization of the remaining deferred cost of \$1,014,000 is being recorded as a reduction of the revenue recognized from Network Commerce with any excess amortization recorded on a quarterly basis as sales and marketing expense, which is included in non-cash compensation expense in our statement of operations. We amortized \$723,000 of the deferred cost during the year ended December 31, 2000, of which \$59,000 was offset against the \$59,000 of revenue recognized from Network Commerce. The remaining \$664,000 of sales and marketing expense is included in non-cash compensation expense in our 2000 statement of operations.

Through December 31, 2000, we granted or assumed, in connection with our acquisition of HumanClick, stock options to purchase 9,424,072 shares of common stock, of which options to purchase 7,669,553 shares of common stock at a weighted average exercise price of \$2.76 remained outstanding at December 31, 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 the year ended December 31, 1999 and recorded additional deferred compensation of \$18.2 million in the year ended December 31, 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. The aggregate amount of deferred compensation which was recorded in connection with the grant of options and subsequently reversed against paid-in capital in connection with the forfeitures of these options associated with the termination of employees who left LivePerson during the year ended December 31, 2000, approximated \$5.3 million. In the year ended December 31, 2000, we also recorded deferred compensation of \$272,000 relating to the remaining service period of unvested options assumed in connection with our acquisition of HumanClick in October 2000. These amounts were recorded as deferred compensation in our consolidated financial statements and are being amortized over the vesting period, typically three to four years, of the applicable options. In the years ended December 31, 2000 and 1999, we amortized \$11.9 million and \$1.6 million (net of forfeitures or cancellations of \$2.0 million in connection with employees who left LivePerson in 2000), respectively, of deferred compensation. We expect to amortize the remaining deferred compensation balance of \$5.9 million at December 31, 2000 as follows:

- 2001--\$3.6 million;
- 2002--\$1.8 million; and
- 2003--\$506,000.

We recorded an additional \$666,000 of non-cash compensation expense during 2000 in connection with the vesting of options pursuant to employee severance agreements.

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 2000 and 1999 operating results with each other or 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, 2000 AND 1999

REVENUE. Total revenue increased to \$6.3 million for the year ended December 31, 2000, from \$615,000 for the year ended December 31, 1999. All of our revenue in 2000 was from the LivePerson services, while 94% of our revenue in 1999 was from the LivePerson services. These increases were due primarily to increased marketing efforts of the LivePerson services, increased market acceptance of our services and increased sales generated by LivePerson's expanded 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 that we will achieve similar growth, if any, in future periods.

Revenue associated with Web-based community programming and media design services decreased to \$0 in the year ended December 31, 2000, from \$39,000 in the comparable period in 1999. 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 consists of compensation costs relating to employees who provide customer service to our clients, compensation costs relating to our network support staff, 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, and allocated occupancy costs and related overhead. Cost of revenue increased to \$7.9 million in 2000, from \$856,000 in 1999. This increase was primarily attributable to costs associated with an increase in the number of LivePerson network operations personnel and client services personnel to serve an expanding client base. Our network operations organization grew to 11 people at December 31, 2000, from 5 people at December 31, 1999, and our client services organization grew to 41 people at December 31, 2000, from 17 people at December 31, 1999.

PRODUCT DEVELOPMENT. Our product development expenses consist primarily of compensation and related expenses for product development personnel. Product development costs increased to \$8.2 million in 2000, from \$1.6 million in 1999. This increase was primarily attributable to an increase in the number of LivePerson product development personnel, which grew to 40 people at December 31, 2000 (including 11 employees of HumanClick) from 15 people at December 31, 1999, as well as allocated occupancy costs, related overhead and outsourced labor. These increases are primarily attributable to product enhancements and, to a lesser extent, to the development of new products.

SALES AND MARKETING. Our sales and marketing expenses consist of compensation and related expenses for sales and marketing personnel, as well as advertising, public relations and trade show exhibit expenses. Sales and marketing expenses increased to \$14.5 million in 2000, from \$4.0 million in 1999. This increase was primarily attributable to increased expenses for on-line and off-line advertising and marketing as well as increased headcount and related personnel expenses. Our sales and marketing headcount grew to 58 people at December 31, 2000 from 21 people at December 31, 1999. 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, and to support customer acquisition efforts.

GENERAL AND ADMINISTRATIVE. Our general and administrative expenses consist primarily of compensation and related expenses for executive, accounting, human resources and administrative personnel. General and administrative expenses increased to \$7.0 million in 2000, from \$1.7 million in 1999. This increase was due primarily to an increase in headcount, which grew to 31 people at December 31, 2000 (including 4 employees of HumanClick) from 15 people at December 31, 1999, and, to a lesser extent, due to insurance, professional fees, occupancy costs and depreciation.

NON-CASH COMPENSATION EXPENSE, NET. Non-cash compensation expenses consist primarily of amortization of deferred stock-based compensation in 2000 and 1999, as well as compensation expense incurred in connection with options and preferred stock issued to non-employees in lieu of payment for services rendered in 1999. Deferred stock-based compensation represents the difference between the exercise price and the deemed fair value of certain stock options granted to employees. Deferred compensation is being amortized over the vesting period of the individual options. Non-cash compensation expense increased to \$13.2 million in 2000, from \$2.7 million in 1999.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLES. Amortization expense relates to goodwill and other intangibles recorded as a result of our acquisition of HumanClick in October 2000.

OTHER INCOME. Interest income was \$1.8 million and \$474,000 in 2000 and 1999, respectively, and consists of interest earned on cash and cash equivalents generated by the receipt of proceeds from our initial public offering in 2000 and preferred stock issuances in 2000 and 1999. Interest expense was \$33,000 and \$1,000 in 2000 and 1999, respectively. The increase in interest income, particularly since the second quarter of 1999, is due primarily to interest earned on the net proceeds from our initial public offering and the private placements of our series C and series D redeemable convertible preferred stock. See "Part II. Item 5. Market For Registrant's Common Equity and Related Stockholder Matters--Use of Proceeds from Initial Public Offering." Other income in 2000 consists primarily of amortization of deferred gain on the sale-leaseback of certain computer equipment.

NET LOSS. Our net loss increased to \$43.3 million in 2000, from \$9.8 million in 1999.

COMPARISON OF FISCAL YEARS ENDED DECEMBER 31, 1999 AND 1998

REVENUE. Total revenue increased to \$615,000 in 1999, from \$379,000 in 1998. Revenue associated with the LivePerson services increased to \$576,000 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 services product development personnel, which grew from four to 15 people in 1999, and \$342,000 of technology development activities related to the LivePerson services, 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 services.

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 COMPENSATION EXPENSE, NET. 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.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed our operations principally through cash generated by private placements of convertible preferred stock and the initial public offering of our common stock. Through December 31, 2000, we have raised a total of \$69.5 million in aggregate net proceeds. As of December 31, 2000, we had \$21.4 million in cash and cash equivalents and marketable securities, an increase of \$6.5 million from December 31, 1999. We regularly invest excess funds in short-term money market funds, commercial paper, government securities, and short-term notes. In March 2000, we entered into a letter of credit, which serves as the security deposit for a portion of our lease of office space, in an aggregate amount of \$2.0 million for 2000. We entered into an additional letter of credit for \$2.2 million in March 2001 in connection with the other portion of our March 2000 lease of office space.

Net cash used in operating activities was \$26.6 million for the year ended December 31, 2000 and consisted primarily of net operating losses and an increase in accounts receivable partially offset by an increase in non-cash compensation, depreciation and amortization expenses, and deferred revenue. Net cash used in operating activities was \$6.0 million for the year ended December 31, 1999 and consisted primarily of net operating losses, offset by non-cash compensation expenses and changes in accounts payable.

Net cash used in investing activities was \$15.0 million in the year ended December 31, 2000 and was due to the purchase of fixed assets and capitalized software and the purchase of "short-term available-for-sale" investments and movement of certain cash to restricted cash, in part offset by the sale of "short-term available-for-sale" investments. Net cash used in investing activities was \$2.6 million for the year ended December 31, 1999 and was due to the purchase of fixed assets.

Net cash provided by financing activities was \$47.0 million for the year ended December 31, 2000 and was primarily attributable to proceeds from our initial public offering, the sale of our series D convertible preferred stock and exercise of our warrants and stock options. Net cash provided by financing activities was \$23.4 million for the year ended December 31, 1999 and was primarily attributable to proceeds from the sale of our convertible preferred stock.

As of December 31, 2000, our principal commitments were approximately \$34.7 million under various operating leases, of which \$4.6 million is due in 2001. During the year ending December 31, 2001, 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, 2001 will exceed \$5.0 million in the aggregate.

In the first quarter of 2000, we entered into three additional leases for office space, one in San Francisco and two in New York City. The lease for our San Francisco office space, entered into in February 2000, provides for annual aggregate payments of \$329,000. We also entered into two subleases for approximately 8,000 and 4,000 square feet, respectively, in New York City, which expired in November 2000 and provided for annual aggregate payments of \$238,000 and \$182,000, respectively. 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, commenced in April 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. At our option, we have provided the security deposit by a letter of credit. The other floor consists of approximately 43,000 square feet, and the lease provisions relating to that floor commenced in March 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. During July 2000, we entered into an eighteen-month lease for computer equipment requiring monthly payments of approximately \$69,000.

Although our revenue has increased from quarter to quarter, we have incurred significant costs to develop our technology and services, to hire employees in our customer service, sales, marketing and administration departments, and for the amortization of goodwill and other intangible assets, as well as non-cash compensation costs. As a result, we have incurred significant net losses and negative cash flows from operations since inception, and as of December 31, 2000, had an accumulated deficit of \$71.2 million. These losses have been funded primarily through the issuance of common stock in our initial public offering and, prior to the initial public offering, the issuance of convertible preferred stock.

In the first quarter of 2001, following a review of our business in connection with our acquisition of HumanClick, we commenced a restructuring plan in order to streamline our operations. We expect to record a charge for severance and other related expenses due to the restructuring of approximately \$3.0 million in the first quarter of 2001, all of which is expected to be paid by the end of 2001. These initiatives included the consolidation of our two San Francisco Bay area offices, a reduction of our workforce by approximately 90 people by the end of the first quarter of 2001, intensified programs to reduce our working capital requirements and curtailment of our capital and marketing expenses, among other initiatives. We cannot assure you that through these efforts, without increased revenue, we will be able to generate positive cash flows from operations. Notwithstanding these efforts, we expect to continue to devote a substantial amount of our capital resources to support our sales, marketing, product development and customer service departments, our marketing efforts, and the infrastructure necessary to support the growth in our customer base and other general corporate activities. As a result, we expect to continue to incur operating losses and negative cash flows for the foreseeable future.

We anticipate that our current cash and cash equivalents will be sufficient to satisfy our working capital and capital requirements for at least the next 12 months. However, we cannot assure you that we will not require additional funds prior to such time, and we would then seek to sell additional equity or debt securities through public financings, or seek alternative sources of financing. We cannot assure you that additional funding will be available on favorable terms, when needed, if at all. If we are

unable to obtain any necessary additional financing, we may be required to reduce the scope of our planned sales and marketing and product development efforts, which could materially adversely affect our business, financial condition and operating results. In addition, we may require additional funds in order to fund more rapid expansion, to develop new or enhanced services or products or to invest in complementary businesses, technologies, services or products.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued and, as amended by SFAS No. 137, was adopted by us in the fourth quarter of 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. The adoption of this statement did not impact our historical financial statements as we currently do not use derivative instruments.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB No. 101"), which summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. Our revenue recognition policies are consistent with SAB No. 101; accordingly, its implementation did not have a significant effect on our results of operations.

In March 2000, the EITF reached a consensus on Issue 00-2, "Accounting for Web Site Development Costs," which provided guidance on when to capitalize versus expense costs incurred to develop a web site. The consensus is effective for web site development costs in quarters beginning after June 30, 2000. We have applied the guidance as described by Issue 00-2 for the year ended December 31, 2000, noting no material impact on our results of operations.

FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN No. 44") provides guidance for applying APB Opinion No. 25, "Accounting for Stock Issued to Employees." With certain exceptions, FIN No. 44 applies prospectively to new awards, exchanges of awards in a business combination, modifications to outstanding awards and changes in grantee status on or after July 1, 2000. The adoption of FIN No. 44 on July 1, 2000 did not have a material effect on our results of operations.

RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

RISKS RELATED TO OUR BUSINESS

WE HAVE A LIMITED OPERATING HISTORY 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 services upon which to base an evaluation of our current business and future prospects. We began offering our services in November 1998 and we commenced offering the HumanClick service in October 2000; 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 leading application service provider of real-time sales and customer service technology for companies doing business on the Internet, we have only 25 months of historical financial data relating to the LivePerson services 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 for LivePerson Chat, which generate monthly fees, and other services to our existing clients;
- increase or maintain current pricing levels for our services;
- 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.

WE HAVE A HISTORY OF LOSSES, WE HAD AN ACCUMULATED DEFICIT OF \$71.2 MILLION AS OF DECEMBER 31, 2000 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 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 services). We had annual revenue of less than \$6.3 million and \$620,000 in the years ended December 31, 2000 and 1999, respectively, resulting in a net loss of \$43.3 million and \$9.8 million, respectively. In addition, for the year ended December 31, 2000, we recorded a non-cash dividend of \$18.0 million. The total non-cash charge we recorded in connection with our 1999 and 2000 option grants for the year ended December 31, 2000 was \$11.9 million. The Company recorded an additional \$666,000 of non-cash compensation expense during 2000 in connection with the vesting of options pursuant to employee severance agreements. As of December 31, 2000, our accumulated deficit was approximately \$71.2 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 and related services 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 A SUBSTANTIAL MAJORITY OF OUR REVENUE WILL COME FROM THE LIVEPERSON CHAT SERVICE FOR THE FORESEEABLE FUTURE AND IF WE ARE NOT SUCCESSFUL IN SELLING THIS SERVICE, OUR REVENUE WILL NOT INCREASE AND MAY DECLINE.

The success of our business currently substantially depends, and for the foreseeable future will continue to substantially depend, on the sale of only one service, LivePerson Chat. We cannot be certain that there will be client demand for our services or that we will be successful in penetrating the market for real-time sales and customer service technology. We have recently experienced slower revenue growth rates than in the past and we cannot assure you that we will experience any future revenue growth. A decline in the price of, or fluctuation in the demand (by existing or potential clients) for, our services, is likely to cause our revenue to decline.

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

Our LivePerson services 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 services agreements, reduce the number of seats purchased or fail to purchase additional seats, our results of operations may be negatively and materially affected. Our client retention rates have recently declined as a result of a number of factors, including competition, consolidation in the Internet industry and termination of operations by certain 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 services for substantially all our revenue. If our retention rate declines further, 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 and our other services;
- 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 and our other services, 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 could decline.

OUR CLIENTS MAY EXPERIENCE ADVERSE BUSINESS CONDITIONS THAT COULD ADVERSELY AFFECT OUR BUSINESS.

Some of our clients may experience difficulty in supporting their current operations and implementing their business plans. These clients may reduce their spending on our services, or may not be able to discharge their payment and other obligations to us. The non-payment or late payment of amounts due to us from a significant number of clients would negatively impact our financial condition. These circumstances are influenced by general economic and industry-specific conditions, and could have a material adverse impact on our business, financial condition and results of operations. In addition, as a result of these conditions, our clients, in particular our Internet-related clients that may experience (or that anticipate experiencing) difficulty raising capital, may elect to scale back the resources they devote to customer service technology, including services such as ours. If the current environment for our clients, including, in particular, our Internet-related clients, does not improve, our business, results of operations and financial condition could be materially adversely affected.

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

Since the launch of our services 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 replaced our existing accounting and other back-office systems at a cost of approximately \$1.2 million. The new systems are being 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 additional 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.

STAFF ATTRITION COULD STRAIN OUR MANAGERIAL, OPERATIONAL, FINANCIAL AND OTHER RESOURCES.

We had 73 employees at December 31, 1999; 181 employees at December 31, 2000; and 111 employees at March 1, 2001. In the area of technology, we had 19 employees at December 31, 1999; 40

employees at December 31, 2000; and 25 employees at March 1, 2001. Any staff attrition we experience, whether initiated by the departing employees or by us, could place a significant strain on our managerial, operational, financial and other resources. To the extent that we do not initiate or seek any staff attrition that occurs, there can be no assurance that we will be able to identify and hire adequate replacement staff promptly, if at all, and even that if such staff is replaced, we will be successful in integrating these employees. In the first quarter of 2001, in addition to conducting performance-related terminations, we commenced a restructuring plan pursuant to which we eliminated a large number of positions in response to changes in our business needs, such as redundancies in our research and development and client support functions and the transition of a portion of our sales efforts from direct sales to more automated Internet-based sales processes. We expect to evaluate our needs and the performance of our staff on a periodic basis, and may choose to make further adjustments in the future. If the size of our staff is significantly reduced, either by our choice or otherwise, we could face significant management, operational, financial and other constraints. For example, it may become more difficult for us to manage existing, or establish new, relationships with clients and other counterparties, or to expand and improve our service offerings. It may also become more difficult for us to implement changes to our business plan or to respond promptly to opportunities in the marketplace. Further, it may become more difficult for us to devote personnel resources necessary to maintain or improve existing systems, including our financial and managerial controls, billing systems, reporting systems and procedures. Thus, any significant amount of staff attrition could cause our business and financial results to suffer.

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. In addition, in the past six months, four of the members of our senior management team (our Chief Technology Officer, Chief Operating Officer, Executive Vice President for Worldwide Sales and Strategic Alliances, and our President/Chief Operating Officer) left LivePerson. Timothy E. Bixby, our Chief Financial Officer, has assumed the additional position of President. Although we do not believe that recent changes in our senior management team have materially harmed our business, they have distracted us from other important tasks, and we cannot assure you that we will be able to successfully hire senior managers who can be integrated, and who will work together successfully, with our existing management team.

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 services 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.

In July 2000, we commenced operations in the United Kingdom. In addition, in October 2000, we acquired HumanClick Ltd., an Israeli-based provider of real-time online customer service applications with more than 100,000 customers around the world and 27 employees. 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, more stringent rules relating to the privacy of Internet users 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.

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 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 and retaining highly-skilled senior managers and other employees with appropriate qualifications, such as employees combining customer service backgrounds with technical aptitude, and employees with experience developing scalable computer networks. Also, our recently announced workforce reductions may adversely affect the morale of, and our ability to retain, those employees who were not terminated. Because our stock price has recently suffered a significant decline, the stock options held by our employees and other equity-based compensation may have diminished effectiveness as employee retention devices. If our retention efforts are ineffective, employee turnover could increase and our ability to provide services to our clients would be materially and adversely affected.

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

Our services appear as a LivePerson-branded, a HumanClick-branded or a custom-created icon on our clients' Web sites. The customer service operators who respond to the inquiries of our clients' Internet users are employees or agents of our clients; they are not our employees. 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 or HumanClick-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 services depend 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 services 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 services rely both on the Internet and on our connectivity vendors for data transmission. Therefore, even when connectivity problems are not caused by the LivePerson services, 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 service providers for Internet connectivity to deliver our services, power, security and technical assistance. Such providers 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 SERVICES, WHICH COULD HARM OUR BUSINESS AND REPUTATION.

We face risks related to the technological capabilities of the LivePerson services. 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 services 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 services on new Web hosting services. These problems, if unremedied, could harm our business.

The LivePerson services also depend 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 services 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 our services. Our success will depend, in part, on our ability to:

- enhance the features and performance of the LivePerson services;
- 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 our current services, 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., RightNow Technologies, Inc. and WebLine Communications (a part of Cisco Systems' applications technology group), some of which 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.

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 services. We currently have a U.S. patent application pending relating to such technology and have not filed applications outside the U.S. The U.S. Patent and Trademark Office has issued a non-final office action rejecting our initial patent application. We have responded to the office action; however, 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.

Further, 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 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 a common law trademark, "LivePerson", and three pending U.S. trademark applications. The U.S. Patent and Trademark Office has issued non-final office actions with respect to our trademark applications, requesting additional information and making refusals. However, no final determinations as to the registrability of the marks have been made. We have responded to these office actions and as a result, one of our trademark applications has been approved for publication. The U.S. Patent and Trademark Office has not yet responded with respect to our other applications, but ultimately we may not be able to secure registration of any 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 services. 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 our current cash and cash equivalents and cash generated from operations, if any, 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.

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 services. 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.

RISKS RELATED TO OUR RECENT ACQUISITION OF HUMANCLICK LTD. AND ITS BUSINESS

IF WE DO NOT SUCCESSFULLY INTEGRATE HUMANCLICK OR THE MERGER'S BENEFITS DO NOT MEET THE EXPECTATIONS OF FINANCIAL OR INDUSTRY ANALYSTS, THE MARKET PRICE FOR OUR COMMON STOCK MAY DECLINE.

On October 12, 2000, we acquired HumanClick with the expectation that this merger will result in significant benefits. We have no experience in managing a customer base as large as HumanClick's and very little direct experience in offering real-time, online customer service applications to small and mid-sized businesses. Furthermore, HumanClick's principal offices are located in Israel while our principal offices are located in New York; managing the business in a coordinated fashion may therefore require additional management resources. We will need to overcome these significant issues, among others, in order to realize any benefits or synergies from the mergers. Our successful execution of these post-merger events will involve considerable risk and may not be successful.

The market price of our common stock may decline, and we may lose key personnel and customers as a result of this merger if:

- we do not successfully integrate operations and personnel of HumanClick;
- we do not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts; or
- the effect of the merger on our financial results is not consistent with the expectations of financial or industry analysts.

IF THE COSTS ASSOCIATED WITH THE HUMANCLICK ACQUISITION EXCEED THE BENEFITS REALIZED, WE MAY EXPERIENCE INCREASED LOSSES.

We cannot assure you that we will ever generate sufficient revenue from the sale of HumanClick's services, which have only recently begun to generate revenue, to offset expenses associated with the acquisition. Accordingly, if the benefits of this acquisition do not exceed the costs associated with it, including dilution to our stockholders resulting from the issuance of up to approximately 4.5 million shares of our common stock in the acquisition, our financial results could be adversely affected.

POLITICAL, ECONOMIC AND MILITARY CONDITIONS IN ISRAEL COULD NEGATIVELY IMPACT OUR HUMANCLICK BUSINESS.

Our HumanClick facilities are located in Israel. Although substantially all of our sales are being made to customers outside Israel, we are directly influenced by the political, economic and military conditions affecting Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors and a state of hostility, which varies in degree and intensity, has caused security and economic problems in Israel. Any major hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could adversely affect our operations. We cannot assure you that ongoing or revived hostilities related to Israel will not have a material adverse effect on our business. Several Arab countries still restrict business with Israeli companies. We could be adversely affected by restrictive laws or policies directed towards Israel and Israeli businesses.

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 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 services. 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 services allow 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 services 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.

OTHER RISKS

OUR EXECUTIVE OFFICERS, DIRECTORS AND 5% OR GREATER STOCKHOLDERS WILL BE ABLE TO INFLUENCE MATTERS REQUIRING A STOCKHOLDER VOTE.

Our executive officers, directors and stockholders who each own greater than 5% of the outstanding common stock and their affiliates, in the aggregate, beneficially own approximately 38.0% of our outstanding common stock. As a result, these stockholders, if acting together, will be able to significantly influence 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.

THE FUTURE SALE OF SHARES OF OUR COMMON STOCK MAY NEGATIVELY AFFECT OUR STOCK PRICE.

If our stockholders sell substantial amounts of our common stock, including shares issuable upon the exercise of outstanding options and warrants in the public market, or if the our stockholders are perceived by the market as intending to sell substantial amounts of our common stock, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. "Affiliates" of LivePerson may not sell their shares of our common stock except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;
- an exemption under Rule 144 of the Securities Act; or
- another applicable exemption under the Securities Act.

Persons who may be deemed to be affiliates of LivePerson include those persons or entities who directly or indirectly control LivePerson, such as our directors, executive officers and significant stockholders.

OUR STOCK PRICE HAS BEEN HIGHLY VOLATILE AND MAY EXPERIENCE EXTREME PRICE AND VOLUME FLUCTUATIONS IN THE FUTURE WHICH COULD REDUCE THE VALUE OF YOUR INVESTMENT AND SUBJECT US TO LITIGATION.

Fluctuations in market price and volume are particularly common among securities of Internet and other technology companies. The market price of our common stock has fluctuated significantly in the past and may continue to be highly volatile, with extreme price and volume fluctuations, 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 and our ability to integrate these 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 stock have been the subject of securities class action litigation. We may in the future be the target of similar litigation, which could result in substantial costs and distract management from other important aspects of operating our business.

WE MAY FACE POSSIBLE NASDAQ DELISTING RESULTING IN A LIMITED PUBLIC MARKET FOR OUR COMMON STOCK AND MAKING OBTAINING FUTURE EQUITY FINANCING MORE DIFFICULT FOR US.

We must satisfy a number of requirements to maintain our listing on the Nasdaq National Market, including maintaining a minimum bid price for our common stock of \$1.00 per share and maintaining a market value for our publicly-held shares of at least \$5 million. A company fails to satisfy these requirements if its closing bid price remains below \$1.00 per share or if the market value for the publicly-held shares remains below \$5 million, in each case, for 30 consecutive business days. From time to time, our common stock has had a closing bid price below \$1.00 per share. There can be no assurance that our bid price will comply with the requirements for continued listing of our common stock on the Nasdaq National Market.

If our common stock loses its Nasdaq National Market status, shares of our common stock would likely trade in the over-the-counter market in the so-called "pink sheets" or the OTC Bulletin Board, which was established for securities that do not meet the Nasdaq National Market listing requirements. Consequently, selling our common stock would be more difficult because smaller quantities of shares would likely be bought and sold, transactions could be delayed, and security analysts' and news media coverage of us may be reduced. These factors could result in lower prices and larger spreads in the bid and ask prices for shares of common stock.

Such delisting from the Nasdaq National Market or further declines in our stock price could also greatly impair our ability to raise additional necessary capital through equity or debt financing, and significantly increase the ownership dilution to stockholders caused by our issuing equity in financing or other transactions. The price at which we issue shares in such transactions is generally based on the market price of our common stock and a decline in our stock price could result in the need for us to

issue a greater number of shares to raise a given amount of funding or acquire a given dollar value of goods or services.

In addition, if our common stock is not listed on the Nasdaq National Market, we may become subject to Rule 15c-2 under the Securities and Exchange Act of 1934, as amended. That rule imposes additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell the common stock and affect the ability of holders to sell their shares of our common stock in the secondary market.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CURRENCY RATE FLUCTUATIONS

Though December 31, 2000, our results of operations, financial position and cash flows have not been materially affected by changes in the relative values of non-U.S. currencies to the U.S. dollar. The functional currency for our operations in the United Kingdom is the U.K. pound (sterling) and the functional currency of our wholly-owned Israeli subsidiary, HumanClick, is the U.S. dollar. We do not use derivative financial instruments to limit our foreign currency risk exposure.

COLLECTION RISK

Our accounts receivable are subject, in the normal course of business, to collection risks. We regularly assess these risks and have established policies and business practices to protect against the adverse effects of collection risks. As a result, we do not anticipate any material losses in this area.

INTEREST RATE RISK

Our investments consist of cash and cash equivalents and short-term marketable securities. Therefore, changes in the market's interest rates do not affect the value of the investments as recorded by us.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of LivePerson, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of LivePerson, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

New York, New York
January 31, 2001

LIVEPERSON, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	DECEMBER 31,	
	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$20,449	\$14,944
Marketable securities.....	1,000	--
Accounts receivable, less allowance for doubtful accounts of \$577 and \$85, as of December 31, 2000 and 1999, respectively.....	1,271	465
Prepaid expenses and other current assets.....	747	597
Total current assets.....	23,467	16,006
Property and equipment, net.....	12,883	2,457
Goodwill and other intangibles, net.....	8,291	--
Restricted cash related to lease.....	2,000	--
Security deposits.....	68	487
Deferred offering costs.....	--	140
Deferred costs, net.....	291	480
Total assets.....	\$47,000	\$19,570
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable.....	\$ 1,126	\$ 1,776
Accrued expenses.....	1,446	689
Deferred revenue.....	615	161
Total current liabilities.....	3,187	2,626
Long-term deferred revenue.....	277	--
Deferred rent.....	304	--
Deferred gain on sale-leaseback.....	457	--
Commitments and contingencies		
Series C redeemable convertible preferred stock, \$.001 par value per share; 0 shares authorized, issued and outstanding at December 31, 2000 and 5,132,433 shares authorized, issued and outstanding at December 31, 1999, with an aggregate liquidation preference of \$18,990 at December 31, 1999.....	--	18,990
Series D redeemable convertible preferred stock, \$.001 par value per share; 0 shares authorized, issued and outstanding at December 31, 2000 and 1999.....	--	--
Stockholders' equity (deficit):		
Preferred stock, \$.001 par value per share; 5,000,000 shares authorized, 0 issued and outstanding at December 31, 2000 and 183,043 shares authorized, 0 issued and outstanding at December 31, 1999.....	--	--
Series A convertible preferred stock, \$.001 par value per share; 0 shares authorized, issued and outstanding at December 31, 2000 and 2,541,667 shares authorized, issued and outstanding at December 31, 1999, with an aggregate liquidation preference of \$3,000 at December 31, 1999.....	--	3
Series B convertible preferred stock \$.001 par value per share; 0 shares authorized, issued and outstanding at December 31, 2000 and 1,142,857 shares authorized, issued and outstanding at December 31, 1999, with an aggregate liquidation preference of \$1,600 at December 31, 1999.....	--	1
Common stock, \$.001 par value per share; 100,000,000 shares authorized, 33,914,613 shares issued and outstanding at December 31, 2000; 30,000,000 shares authorized, 7,092,000 shares issued and outstanding at December 31, 1999.....	34	7
Additional paid-in capital.....	119,780	12,420
Deferred compensation.....	(5,872)	(4,644)
Accumulated deficit.....	(71,167)	(9,833)
Total stockholders' equity (deficit).....	42,775	(2,046)
Total liabilities and stockholders' equity (deficit)....	\$47,000	\$19,570

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Revenue:			
Service revenue.....	\$ 6,279	\$ 576	\$ 1
Programming revenue.....	--	39	378
Total revenue.....	6,279	615	379
Operating expenses:			
Cost of revenue, exclusive of \$1,109, \$198 and \$0 for the years ended December 31, 2000, 1999 and 1998, respectively, reported below as non-cash compensation expense.....	7,888	856	70
Product development, exclusive of \$1,476, \$566 and \$0 for the years ended December 31, 2000, 1999 and 1998, respectively, reported below as non-cash compensation expense.....	8,209	1,637	93
Sales and marketing, exclusive of \$4,822, \$577 and \$0 for the years ended December 31, 2000, 1999 and 1998, respectively, reported below as non-cash compensation expense.....	14,529	3,987	33
General and administrative, exclusive of \$5,838, \$1,338 and \$25 for the years ended December 31, 2000, 1999 and 1998, respectively, reported below as non-cash compensation expense.....	6,994	1,706	178
Amortization of goodwill and other intangibles.....	619	--	--
Non-cash compensation expense, net.....	13,245	2,679	25
Total operating expenses.....	51,484	10,865	399
Loss from operations.....	(45,205)	(10,250)	(20)
Other income (expense):			
Other income.....	65	--	--
Interest income.....	1,839	474	--
Interest expense.....	(33)	(1)	--
Total other income, net.....	1,871	473	--
Net loss.....	(43,334)	(9,777)	(20)
Non-cash preferred stock dividend.....	18,000	--	--
Net loss attributable to common stockholders.....	\$ (61,334)	\$ (9,777)	\$ (20)
Basic and diluted net loss per common share.....	\$ (2.50)	\$ (1.38)	\$ 0.00
Weighted average shares outstanding used in basic and diluted net loss per common share calculation.....	24,535,078	7,092,000	7,092,000

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (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, 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
Offering costs in connection with Series D redeemable preferred stock.....	--	--	--	--	--	--	(79)
Non-cash preferred stock dividend.....	--	--	--	--	--	--	18,000
Issuance of common stock in connection with initial public offering, net of \$3,899 in offering costs.....	--	--	--	--	4,000,000	4	28,097
Conversion of all outstanding convertible preferred stock in connection with initial public offering.....	(2,541,667)	(3)	(1,142,857)	(1)	17,962,273	18	36,976
Issuance of common stock upon exercise of stock options and warrants.....	--	--	--	--	595,984	1	833
Issuance of common stock in connection with Employee Stock Purchase Plan.....	--	--	--	--	25,951	--	51
Issuance of stock options to a client.....	--	--	--	--	--	--	534
Issuance of common stock and options in connection with HumanClick acquisition.....	--	--	--	--	4,238,405	4	9,139
Deferred stock based compensation, net of forfeitures.....	--	--	--	--	--	--	12,871
Deferred stock based compensation assumed in connection with HumanClick acquisition.....	--	--	--	--	--	--	272
Acceleration of employee stock options.....	--	--	--	--	--	--	666
Amortization of deferred compensation, net of forfeitures.....	--	--	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	--
Balance at December 31, 2000.....	--	\$ --	--	\$ --	33,914,613	\$34	\$119,780

	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL
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)
Offering costs in connection with Series D redeemable preferred stock.....	--	--	(79)
Non-cash preferred stock dividend.....	--	(18,000)	--
Issuance of common stock in connection with initial public offering, net of \$3,899 in offering costs.....	--	--	28,101
Conversion of all outstanding convertible preferred stock in connection with initial public offering.....	--	--	36,990
Issuance of common stock upon exercise of stock options and warrants.....	--	--	834
Issuance of common stock in connection with Employee Stock Purchase Plan.....	--	--	51
Issuance of stock options to a client.....	--	--	534
Issuance of common stock and options in connection with HumanClick acquisition.....	--	--	9,143
Deferred stock based compensation, net of forfeitures.....	(12,871)	--	--
Deferred stock based compensation assumed in connection with HumanClick acquisition.....	(272)	--	--
Acceleration of employee stock options.....	--	--	666
Amortization of deferred compensation, net of forfeitures.....	11,915	--	11,915
Net loss.....	--	(43,334)	(43,334)
	-----	-----	-----
Balance at December 31, 2000.....	\$ (5,872)	\$(71,167)	\$ 42,775
	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss.....	\$ (43,334)	\$(9,777)	\$(20)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Non-cash compensation expense, net.....	13,304	2,703	25
Depreciation.....	2,316	98	--
Amortization of goodwill and other intangibles.....	619	--	--
Amortization of gain on sale-leaseback.....	(65)	--	--
Provision for doubtful accounts.....	527	85	15
CHANGES IN OPERATING ASSETS AND LIABILITIES, NET OF ACQUISITION:			
Accounts receivable.....	(1,333)	(540)	(8)
Prepaid expenses and other current assets.....	327	(597)	--
Security deposits.....	419	(487)	--
Accounts payable.....	(673)	1,759	(23)
Accrued expenses.....	287	634	30
Deferred revenue.....	730	161	--
Deferred rent.....	304	--	--
Net cash used in operating activities.....	(26,572)	(5,961)	19
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment, including capitalized software.....	(14,841)	(2,555)	--
Proceeds from sale-leaseback of property and equipment....	2,721	--	--
Purchase of marketable securities available-for-sale.....	(40,802)	--	--
Sale of marketable securities available-for-sale.....	39,802	--	--
Purchase of restricted cash.....	(2,000)	--	--
Cash acquired in HumanClick acquisition.....	150	--	--
Net cash used in investing activities.....	(14,970)	(2,555)	--
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock related to initial public offering.....	28,101	--	--
Net proceeds from issuance of Series A, B, C and D preferred stock and warrants to acquire common stock....	17,921	23,468	--
Proceeds from issuance of common stock in connection with the exercise of warrants and options.....	834	--	--
Proceeds from issuance of common stock in connection with Employee Stock Option Plan.....	51	--	--
Deferred offering costs.....	140	(140)	--
Proceeds from issuance of note payable.....	--	--	100
Due to (from) officer.....	--	25	(22)
Net cash provided by financing activities.....	47,047	23,353	78
Net increase in cash and cash equivalents.....	5,505	14,837	97
Cash and cash equivalents at the beginning of the year....	14,944	107	10
Cash and cash equivalents at the end of the year.....	\$ 20,449	\$14,944	\$107
SUPPLEMENTAL DISCLOSURES:			
Cash paid during the year for:			
Interest.....	\$ 33	\$ 1	\$ --
Income taxes.....	--	--	--
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Common stock and options issued for net assets of HumanClick business acquired.....	9,415	--	--
Conversion of convertible preferred stock into common stock.....	36,990	--	--
Conversion of notes payable into Series A preferred stock.....	--	100	--

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

(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 is a leading application service provider of technology that facilitates real-time sales and customer service for companies doing business on the Internet.

The Company's primary revenue source is from the sale of the LivePerson services, which is conducted within one operating segment. Prior to November 1998, when the LivePerson services were introduced, the Company provided services primarily related to Web-based community programming and media design.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements reflect the operations of LivePerson and its wholly-owned subsidiaries (see note 2). All significant intercompany balances and transactions have been eliminated in consolidation.

(C) 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. These estimates and assumptions relate to estimates of collectibility of accounts receivable, the realization of goodwill and other intangible assets, the expected term of a client relationship, accruals and other factors. Actual results could differ from those estimates.

(D) 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.

(E) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, generally three to five years for equipment and software and seven years for furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

(F) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including fixed assets and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

not be recoverable, the Company estimates the undiscounted future cash flows to result from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. Fair value would generally be determined by market value. Assets to be disposed of are the lower of the carrying value or fair value less costs to sell.

(G) MARKETABLE SECURITIES

The Company accounts for its investments in marketable securities in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 establishes the accounting and reporting requirements for all debt securities and for investments in equity securities that have a readily determinable fair market value. All marketable securities must be classified as one of the following: held-to-maturity, available for sale or trading securities. The Company's marketable securities consist of available-for-sale securities. The Company's available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity (deficit).

Realized gains and losses are computed on the basis of the specific identification method. Realized gains and losses and unrealized declines in value judged to be other-than temporary, are included in other income, net. The cost of available-for-sale securities sold are based on the specific identification method and interest earned is included in interest income.

For the years ended December 31, 2000, 1999 and 1998, the Company did not recognize any material gains or losses upon the sale of securities. At December 31, 2000, the fair value of the Company's available-for-sale securities approximated cost and unrealized gains and losses were not material.

(H) RESTRICTED CASH AND LETTERS OF CREDIT

The Company is contingently liable under standby letters of credit totaling approximately \$2,300 at December 31, 2000. These letters of credit relate to the Company's office-space leases which are fully secured by certificates of deposits held by the Company. Management does not expect any material losses to result from these off-balance-sheet instruments. The fair value of these instruments is zero. At December 31, 2000, long-term restricted cash of \$2,000 consisted of a security deposit held in a certificate of deposit in connection with the lease of the Company's principal executive offices.

(I) REVENUE RECOGNITION

Prior to November 1998, when the LivePerson services were introduced, the Company generated revenue from services primarily related to Web-based community programming and media design. Revenues from such services were recognized upon completion of the project, provided that no significant Company obligations remained and collection of the resulting receivable was probable. As of December 31, 1999, the Company no longer generated any revenues from these services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

During 1998, the Company began offering the LivePerson services. The LivePerson services facilitate 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 services.

The initial set-up fee principally represents customer service, training and other administrative costs related to the deployment of the LivePerson services. Such fees are initially recorded as deferred revenue and recognized ratably 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 does not charge an additional set-up fee if an existing client adds more seats. Unamortized deferred fees, if any, are recognized upon termination of the agreement with the customer.

The Company also records revenue based upon a monthly fee charged for each seat using the LivePerson services, 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 also generates revenue from web hosting and call center referrals. The Company recognizes commissions based on revenue generated from these referrals upon notification from the other party of sales attributable to LivePerson. To date, revenues from commissions have not been material.

Professional services revenue consists of training provided to customers. Revenue is recognized when services are provided and collection of the resulting receivable is probable. During 2000, revenue from professional services was \$195.

(J) 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 differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. 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.

(K) ADVERTISING COSTS

The Company expenses the cost of advertising and promoting its services as incurred. Such costs totaled approximately \$4,497, \$1,935 and \$1 for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(L) FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

The Company's business is characterized by rapid technological change, new product development and evolving industry standards. Inherent in the Company's business are various risks and uncertainties, including its limited operating history, unproven business model and the limited history of commerce on the Internet. The Company's success may depend, in part, upon the emergence of the Internet as a commerce medium, prospective product development efforts and the acceptance of the Company's solutions by the marketplace.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and restricted cash which approximate fair value at December 31, 2000 because of the short-term nature of these instruments. The Company invests its cash and cash equivalents and restricted cash with quality financial institutions and performs periodic evaluations of these instruments and the relative credit standings of the institutions with which it invests. At certain times, the Company's cash balances with any one financial institution may exceed Federal Deposit Insurance Corporation insurance limits. The Company believes it mitigates its risk by depositing its cash balances with high credit, quality financial institutions.

The Company's customers are primarily concentrated in the United States. The Company performs ongoing credit evaluations of its customers' financial condition and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information; to date, such losses have been within management's expectations. Concentrations of credit risk are limited due to the Company's large number of customers. The Company's client base is concentrated among dedicated Internet companies, Fortune 1000 companies and other companies with commercial Web sites.

The Company has not experienced any significant credit loss to date. No single customer accounted for or exceeded 10% of revenues in 2000, 1999 or 1998 or 10% of accounts receivable in 2000 or 1999.

(M) 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. The Company amortizes deferred compensation on a graded vesting methodology in accordance with FASB Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Award Plans."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(N) 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 ("EPS")," and the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 98. Under SFAS No. 128, basic EPS excludes dilution for common stock equivalents and is computed by dividing net income or loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. All options, warrants or other potentially dilutive instruments issued for nominal consideration are required to be included in the calculation of basic and diluted net loss attributable to common stockholders. The Company has included 20,229 shares of common stock in the calculation of basic and diluted net loss attributable to common stockholders from October 2000 which relate to certain options that were originally issued by HumanClick for nominal consideration and subsequently assumed by the Company in connection with its acquisition of HumanClick. 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 share presented is equal to basic net 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 years ending December 31, 2000, 1999 and 1998 does not include the effects of options to purchase 7,669,553, 3,612,345 and 197,100 shares of common stock, respectively, warrants to purchase 457,030, 718,749 and 0 shares of common stock, respectively, and an aggregate of 0, 13,225,431 and 0 shares of convertible preferred stock on an "as if" converted basis, respectively, as the effect of their inclusion is anti-dilutive during each period.

(O) STOCK SPLITS

Effective January 20, 1999, the Company authorized and implemented a 10-for-1 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 consolidated financial statements has 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 consolidated financial statements has been retroactively restated to reflect the effect of the stock split.

(P) SEGMENT REPORTING

The Company accounts for its segment information in accordance with 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 consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

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.

(Q) COMPREHENSIVE LOSS

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" requires the Company to report in its consolidated 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 applicable, foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. There were no material differences between the Company's comprehensive loss and its net loss for all periods presented.

(R) COMPUTER SOFTWARE

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 1999 and capitalized \$3,952 as of December 31, 2000 and \$635 as of December 31, 1999.

(S) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other purchased intangible assets are stated net of accumulated amortization of \$619 at December 31, 2000. Goodwill and other purchased intangible assets are being amortized on a straight-line basis over the expected period of benefit of three years.

(T) RECLASSIFICATIONS

Certain reclassifications have been made to prior year's financial statements to conform to the current year's presentation.

(U) DEFERRED RENT

The Company records rent expense on a straight line basis over the term of the related lease. The difference between the rent expense recognized for financial reporting purposes and the actual payments made in accordance with the lease agreement is recognized as deferred rent liability. Rent expense charged to operations for the year ended December 31, 2000 exceeded actual rental payments by \$304.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(V) 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 such costs have not been significant. Through December 31, 2000, all development costs have been charged to product development expense in the accompanying consolidated statements of operations.

(W) FOREIGN CURRENCY TRANSLATION

Assets and liabilities in foreign functional currencies are translated at the exchange rate as of the balance sheet date. Translation adjustments are recorded as a separate component of stockholders' equity (deficit). Revenues, costs and expenses denominated in foreign functional currencies are translated at the weighted average exchange rate for the period. The Company's translation adjustment was insignificant for the year ended December 31, 2000.

(X) RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued and, as amended by SFAS No. 137, was adopted by the Company in the fourth quarter of 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. The adoption of this statement did not impact the Company's historical financial statements as it currently does not use derivative instruments.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB No. 101"), which summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company's revenue recognition policies are consistent with SAB No. 101; accordingly, its implementation did not have a significant effect on the Company's results of operations.

In March 2000, the EITF reached a consensus on Issue 00-2, "Accounting for Web Site Development Costs," which provided guidance on when to capitalize versus expense costs incurred to develop a web site. The consensus is effective for web site development costs in quarters beginning after June 30, 2000. The Company has applied the guidance as described by Issue 00-2 for the year ended December 31, 2000, noting no material impact on its results of operations.

FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN No. 44") provides guidance for applying APB Opinion No. 25, "Accounting for Stock Issued to Employees." With certain exceptions, FIN No. 44 applies prospectively to new awards, exchanges of awards in a business combination, modifications to outstanding awards and changes in grantee status on or after July 1, 2000. The adoption of FIN No. 44 on July 1, 2000 did not have a material effect on the Company's results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(2) ACQUISITIONS

On October 12, 2000, the Company acquired HumanClick Ltd., a private company organized under the laws of the State of Israel ("HumanClick"). The functional currency for HumanClick is the U.S. dollar. This transaction was accounted for under the purchase method of accounting and, accordingly, the operating results of HumanClick were included in the Company's consolidated results of operations from the date of acquisition. In connection with the transaction, LivePerson assumed HumanClick's outstanding stock options which remain outstanding as options to purchase shares of LivePerson's common stock.

The purchase price was \$9,656, which included the issuance of 4,238,405 shares of the Company's common stock valued at \$9,143 and acquisition costs of \$241. Of the 4,238,405 shares issued, 1,564,298 are subject to a repurchase option by the Company if two of the former shareholders of HumanClick are no longer employed by HumanClick under certain circumstances prior to October 12, 2003. The price pursuant to which the Company may repurchase such shares is equal to the lesser of the 30-day average price per share of the Company's common stock prior to the termination of employment, and \$7 per share. One-third of the stock subject to the repurchase option shall be released from the Company's purchase option on each of October 12, 2001, 2002 and 2003. In addition, options to purchase shares of HumanClick's common stock were exchanged for options to purchase approximately 262,000 shares of the Company's common stock. The fair value of the options, amounting to \$265, was included in the purchase price. This amount excludes the intrinsic value of the unvested options at the date of acquisition, amounting to \$272, which was also included in the purchase price; however, such amount was allocated to deferred compensation in accordance with FIN No. 44 and is being amortized over the remaining vesting periods.

Of the purchase price, \$474 was allocated to net tangible assets. The historical carrying amounts of such net tangible assets approximated their fair values. The purchase price in excess of the fair value of the net tangible liabilities assumed in the amount of \$8,910 was allocated to goodwill and intangible assets and is being amortized on a straight-line basis over an expected period of benefit of three years.

The allocation of the purchase price in connection with the HumanClick acquisition is as follows:

Current assets, primarily receivables.....	\$ 627
Property and equipment.....	95
Goodwill and other intangible assets.....	8,910
Liabilities assumed, net.....	(248)
Deferred compensation.....	272

	\$9,656
	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(2) ACQUISITIONS (CONTINUED)

The following unaudited pro forma consolidated financial information gives effect to the acquisition of HumanClick, as if the acquisition occurred on June 24, 1999 (HumanClick's date of inception), by consolidating the results of operations of HumanClick with the results of the Company for the years ended December 31, 2000 and 1999. The unaudited pro forma consolidated financial information is not necessarily indicative of the consolidated results that would have occurred, nor is it necessarily indicative of results that may occur in the future.

	DECEMBER 31,	
	----- 2000 -----	1999 -----
Revenues.....	\$ 6,279	\$ 576
Net loss attributable to common stockholders.....	\$ (65,012)	\$ (12,990)
Net loss per share-basic and diluted.....	\$ (2.33)	\$ (1.41)
Weighted average basic and diluted shares outstanding.....	27,856,813	9,221,317

LIVEPERSON, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(3) BALANCE SHEET COMPONENTS

PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	DECEMBER 31,	
	2000	1999
Computer equipment and software.....	\$11,528	\$2,367
Furniture, equipment and building improvements.....	3,509	188
	-----	-----
	15,037	2,555
Less accumulated depreciation.....	2,154	98
	-----	-----
Total.....	\$12,883	\$2,457
	=====	=====

ACCRUED EXPENSES

Accrued expenses consists of the following:

	DECEMBER 31,	
	2000	1999
Professional services and consulting fees.....	\$ 244	\$327
Sales commissions.....	426	68
Equipment lease payments.....	557	--
Employee stock purchase plan payable.....	43	--
Payroll and related costs.....	126	227
Other.....	50	67
	-----	-----
Total.....	\$1,446	\$689
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(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. Upon the closing of the initial public offering of the Company's common stock (the "IPO") on April 12, 2000, the Company filed an amended and restated certificate of incorporation that authorized 5,000,000 shares of undesignated preferred stock.

In January 1999, the Company issued 2,500,000 shares of series A convertible preferred stock ("Series A") in a private placement and warrants to purchase up to 468,749 shares of common stock at an offering price of \$1.20 per Series A share and \$0.001 per warrant share. Total proceeds amounted to \$2,902. The warrants are exercisable at a price of \$1.60 per common share and have a term of 5 years. As part of the Series A private placement, a \$100 note payable, originally issued in 1998, 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 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 issued 1,142,857 shares of series B convertible preferred stock ("Series B") in a private placement and warrants to purchase up to 250,000 shares of common stock at an offering price of \$1.40 per Series B share and \$0.001 per warrant share. The warrants are exercisable at a price of \$1.60 per common share and have a term of 5 years. Total proceeds, net of offering costs of \$15, amounted to \$1,586.

In July 1999, the Company issued 5,132,433 shares of series C redeemable convertible preferred stock ("Series C") in a private placement at \$3.70 per share. Total proceeds, net of offering costs of \$10, amounted to \$18,980. Such stock was redeemable at \$3.70 per share at the option of the holder. Thirty-three percent of such shares were 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, the Company issued an aggregate of 3,157,895 shares of series D redeemable convertible preferred stock ("Series D") at \$5.70 per share. Total proceeds to the Company, net of offering costs of \$100, amounted to \$17,900. Such stock was redeemable at \$5.70 per share at the option of the holder. The difference between the price of the Series D on an "as if" converted to common stock basis of \$3.80 and \$11.70 (the fair value of the common stock on the date of issuance), or \$7.90, multiplied by the number of shares of Series D on an "as if" converted to common stock basis represents the intrinsic value of the beneficial conversion feature, which totaled \$37,421. However, as the intrinsic value of the beneficial conversion feature is greater than the \$18,000 in gross proceeds received from the Series D issuance, the amount of the discount attributed to the beneficial conversion feature is limited to the \$18,000 of gross proceeds received. The \$18,000 beneficial conversion feature was recorded in the quarter ended March 31, 2000 as a non-cash preferred stock dividend because the Series D was, at the time it was issued, immediately convertible at the option of the preferred stockholders. The \$18,000 non-cash dividend increased the Company's net loss attributable to common stockholders for the year ended December 31, 2000 by the same amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(4) CAPITALIZATION (CONTINUED)

On April 6, 2000, the SEC declared effective the Company's Registration Statement on Form S-1. Pursuant to this Registration Statement, the Company completed its initial public offering of 4,000,000 shares of its common stock at an offering price of \$8.00 per share. Net proceeds to the Company totaled \$28,101.

Upon the closing of the IPO on April 12, 2000, 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, representing all of the outstanding shares of the convertible preferred stock on that date, automatically converted 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.

On October 12, 2000, the Company issued 4,238,405 shares of common stock in connection with its acquisition of HumanClick (see note 2).

The Company issued common stock warrants in connection with the issuance of the Series A and the Series B. The details of such warrants issued are as follows:

DATE OF ISSUE	FINANCING ROUND	NUMBER OF WARRANTS	EXERCISE PRICE PER COMMON SHARE	TERM
January 1999.....	Series A	468,749	\$1.60	5 years
May 1999.....	Series B	250,000	\$1.60	5 years

Of these, during the year ended December 31, 2000, warrants to purchase 261,719 shares of common stock at an exercise price of \$1.60 per share were exercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(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.

The Company established 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 were incorporated into the 2000 Plan and the Company increased the number of shares available for issuance under the plan by approximately 4,150,000, thereby reserving for issuance 10,000,000 shares of common stock in the aggregate. Options to acquire common stock granted thereunder will have 10 year terms.

In March 2000, the Company adopted the 2000 Employee Stock Purchase Plan with 450,000 shares of common stock initially reserved for issuance of which 25,951 shares were issued in 2000.

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 granted/assumed.....	5,730,727	\$3.62
Options exercised.....	(334,265)	\$1.25
Options cancelled.....	(1,339,255)	\$3.00
	-----	-----
Options outstanding at December 31, 2000.....	7,669,553	\$2.76
	=====	=====
Options exercisable at December 31, 1999.....	479,960	\$1.09
	=====	=====
Options exercisable at December 31, 2000.....	1,932,288	\$2.26
	=====	=====

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 attributable to common stockholders for each year is

LIVEPERSON, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

presented below. The Company did not have any employee stock options outstanding prior to January 1, 1998.

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Net loss attributable to common stockholders:			
As reported.....	\$(61,334)	\$ (9,777)	\$ (20)
	=====	=====	=====
Pro forma.....	\$(62,608)	\$(12,259)	\$ (28)
	=====	=====	=====
Basic and diluted net loss per common share:			
As reported.....	\$ (2.50)	\$ (1.38)	\$ 0.00
	=====	=====	=====
Pro forma.....	\$ (2.55)	\$ (1.73)	\$(0.01)
	=====	=====	=====

The resulting effect on the pro forma net loss attributable to common stockholders disclosed for the years ended December 31, 2000, 1999 and 1998 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 2000, 1999 and 1998, was \$5.51, \$1.40 and \$0.26, 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 2000, 1999 and 1998: dividend yield of zero percent for all years, risk-free interest rates of 6.3%, 6.0% and 5.4%, respectively and expected life of 5 years for all 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 for 1999 and 1998. During 2000, the Company used a volatility factor of 122.3%.

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.

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 to provide the LivePerson service to the client for two years. The Company is receiving subscription revenue from the client over

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

the two-year period based on the number of seats the client is using. The original terms of the option provided that it would vest in or before May 2001, if revenue generated by the client met certain targets. The option had no minimum revenue guarantee. The option 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 value ascribed to this option was adjusted at each balance sheet date to bring the total ascribed value of the option up to the then current fair value. This cost was amortized ratably over the two-year service agreement, as the Company believed that the achievement of the revenue targets was probable. The \$566 value ascribed to the option reflects the market value at December 31, 1999. As a result, the Company amortized \$86 of the deferred cost as of December 31, 1999, of which \$24 was offset against the \$27 of revenue recognized from the client. The remaining \$62 constituted sales and marketing expense, all of which was recorded in the fourth quarter of 1999 and is included in non-cash compensation expense in the Company's 1999 statement of operations.

In February 2000, the Company amended the option agreement whereby the option became fully vested and immediately exercisable. The client exercised the option in May 2000. However, the client is precluded from selling the underlying common stock until the earlier of five years or, if certain revenue targets are met, May 19, 2001. The value ascribed to the option at the time the option agreement was amended, using a Black-Scholes pricing model, was \$1,014, which is being ratably amortized over the remaining service period of approximately fifteen months because the vesting of the options does not affect the Company's obligation under the service agreement. In addition, the ratable amortization of the remaining deferred cost of \$1,014 is being recorded as a reduction of the revenue recognized from the client, with any excess amortization recorded on a quarterly basis as sales and marketing expense which is included in non-cash compensation expense in the Company's statement of operations. The Company amortized \$723 of the deferred cost during the year ended December 31, 2000, of which \$59 was offset against the \$59 of revenue recognized from the client. The remaining \$664 of sales and marketing expense is included in non-cash compensation expense in the Company's 2000 statement of operations.

During 2000 and 1999, the Company granted or assumed stock options to purchase 5,730,727 and 3,496,245 shares of common stock at a weighted average exercise price of \$3.62 and \$1.37, per share, respectively, certain of which were granted at less than the deemed fair value of the common stock at the date of grant. For the years ended December 31, 2000 and 1999, the Company recorded deferred compensation of \$18,241 and \$6,233, respectively, in connection with these options. The aggregate amount of deferred compensation which was recorded in connection with the grant of options and subsequently reversed against paid-in capital in connection with the forfeiture of those options associated with employees who left the Company during the year ended December 31, 2000, approximated \$5,370. In 2000, the Company also recorded \$272 of deferred compensation relating to the intrinsic value of unvested options assumed by the Company in connection with the HumanClick

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

acquisition. These amounts are presented as deferred compensation within the consolidated financial statements and are being amortized over the vesting period, typically three to four years, of the applicable options. The Company amortized \$11,915 and \$1,589 for the years ended December 31, 2000 and 1999, respectively, net of forfeitures or cancellations of \$2,023 in connection with employees who left the Company in 2000. The Company expects to amortize the following amounts of deferred compensation relating to options granted in 1999 and 2000 as follows: 2001-\$3,577; 2002-\$1,789; and 2003-\$506.

The Company recorded an additional \$666 of non-cash compensation expense during 2000 in connection with the vesting of options pursuant to employee severance agreements.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2000:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
\$0.00-\$ 1.00	1,573,640	6.16	\$0.69	808,565	\$0.69
\$1.01-\$ 2.00	3,335,934	8.80	\$1.91	631,436	1.90
\$2.01-\$ 5.00	1,652,782	9.21	\$2.99	216,563	3.53
\$5.01-\$11.00	1,107,197	9.35	\$7.90	275,725	6.71
	7,669,553		\$2.76	1,932,288	\$2.26
	=====		=====	=====	=====

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
	=====		=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(6) COMMITMENTS AND CONTINGENCIES

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, 2000, 1999 and 1998 were approximately \$2,988, \$311 and \$26 respectively.

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

YEAR ENDING DECEMBER 31, -----	OPERATING LEASES -----
2001.....	\$ 4,591
2002.....	4,382
2003.....	3,281
2004.....	3,373
2005.....	3,118
Thereafter.....	15,993

Total minimum lease payments.....	\$34,738 =====

In the first quarter of 2000, the Company entered into three 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 \$329. The security deposit for this lease is approximately \$24. The Company also entered into two subleases in New York City which provided for annual aggregate payments of \$238 and \$182, respectively. These subleases expired in November 2000. In March 2000, the Company entered into a lease for two floors at a location in New York City. The lease with respect to one floor commenced in April 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. At the Company's option, the Company provided the security deposit through a letter of credit (see note 1). The lease term relating to the other floor commences in March 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 will be \$2,200 for the first three years, \$1,500 for years four through seven and \$747 for years eight through ten. During July 2000, the Company entered into an eighteen month lease for certain computer equipment requiring monthly payments of approximately \$69.

In October 2000, the Company entered into a sale-leaseback agreement whereby certain computer equipment was sold and leased back by the Company. The Company received proceeds of \$2,700 from the sale. The gain on the sale of \$522 was deferred and will be recognized on a straight-line basis over the initial term of the lease. Under the terms of the agreement, the Company will make monthly rental payments of approximately \$118 over a two-year lease period. At the expiration of the initial lease term, the Company will have the option of purchasing any and or all units of equipment for an amount equal to the fair market value of such units as of the end of the applicable term. The Company also has the option of entering into a mutually agreeable renewal agreement. The lease-back is being accounted for as an operating lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(7) 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, 1998:				
Allowance for doubtful accounts.....	\$--	\$ 15	\$ --	\$ 15
	===	====	====	====
For the year ended December 31, 1999:				
Allowance for doubtful accounts.....	\$15	\$ 85	\$(15)	\$ 85
	===	====	====	====
For the year ended December 31, 2000:				
Allowance for doubtful accounts.....	\$85	\$527	\$(35)	\$577
	===	====	====	====

(8) 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. The Company has recorded a full valuation allowance against its deferred tax assets since management believes that, after considering all of the available objective evidence, it is not more likely than not that these assets will be realized.

At December 31, 2000 and 1999, the Company had approximately \$34,400 and \$5,600, respectively, of federal net operating loss ("NOL") carryforwards available to offset future taxable income. Such carryforwards expire in various years through 2020. 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 U.S. Tax Reform Act of 1986 contains provisions that limit the NOL carryforwards available to be used in the future to offset income upon the occurrence of certain events, including a significant change of ownership. Management has not determined whether a Section 382 change has occurred.

LIVEPERSON, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(8) INCOME TAXES (CONTINUED)

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, 2000 and 1999 are presented below.

	2000	1999
	-----	-----
Deferred tax assets:		
Net operating loss carry forwards.....	\$ 14,808	\$ 2,177
Accounts payable and accrued expenses.....	1,124	1,029
Deferred revenue.....	591	69
Non-cash compensation.....	6,634	290
Plant and equipment.....	81	--
Goodwill amortization.....	217	--
Other.....	3	--
	-----	-----
Gross deferred tax assets.....	23,458	3,565
Less: valuation allowance.....	(22,654)	(3,132)
	-----	-----
Net deferred tax assets.....	804	433
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation.....	--	(9)
Accounts receivable.....	(502)	(188)
Prepaid expenses.....	(302)	(236)
	-----	-----
Gross deferred tax liabilities.....	(804)	(433)
	-----	-----
Net deferred taxes.....	\$ --	\$ --
	=====	=====

(9) SUBSEQUENT EVENTS (UNAUDITED)

In the first quarter of 2001, the Company announced restructuring initiatives to streamline its operations, including the consolidation of its two San Francisco Bay area offices and several initiatives to reduce its spending requirements. The restructuring is expected to result in a reduction of the Company's workforce by approximately 90 people by the end of the first quarter 2001. LivePerson expects to record a charge for severance and other related expenses due to the restructuring of approximately \$3.0 million in the first quarter of 2001, all of which is expected to be paid by the end of 2001.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of LivePerson, and their ages and positions as of March 15, 2001, are:

NAME	AGE	POSITION
Robert P. LoCascio.....	32	Chief Executive Officer and Chairman of the Board
Timothy E. Bixby.....	36	President, Chief Financial Officer, Secretary and Director
Richard L. Fields.....	44	Director
Wycliffe K. Grousbeck.....	39	Director
Kevin C. Lavan.....	48	Director
Robert W. Matschullat.....	53	Director
Edward G. Sim.....	30	Director

ROBERT P. LOCASCIO has been our Chief Executive Officer and Chairman of our board of directors since our inception in November 1995. In addition, Mr. LoCascio was our President from November 1995 until January 2001. 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.

TIMOTHY E. BIXBY has been our Chief Financial Officer since June 1999, our Secretary and a director since October 1999 and our President since March 2001. In addition, Mr. Bixby was an Executive Vice President from January 2000 until March 2001. 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.

RICHARD L. FIELDS has been a director since July 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. Mr. Grousbeck has been a General Partner of Highland Capital Partners, Inc., a venture capital firm, since August 1996 and joined as an Associate in May 1995. Mr. Grousbeck is a director of Atomica Corporation, EXACT Sciences Corporation, NuGenesis Technologies Corporation and PLmarket, 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. Since October 2000, Mr. Lavan has been serving as an independent consultant to marketing services organizations. From March 1999 until October 2000, Mr. Lavan was an Executive Vice President of Impiric, 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 June 2000, Mr. Matschullat has been a private investor. From October 1995 through May 2000, Mr. Matschullat was 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 June 1995. Mr. Matschullat is a director of The Clorox Company. Mr. Matschullat received a M.B.A. and a B.A. from Stanford University.

EDWARD G. SIM has been a director since January 1999. Since October 1999, Mr. Sim has been a Managing Director of Wit SoundView Ventures Corp. Since April 1998, Mr. Sim has also been a member of DT Advisors LLC, the managing entity of the Dawntreader Funds group of Wit SoundView Ventures. 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 Atomica Corporation, Expertcity.com, inc., MaterialNet, Inc., Metapa Inc. and Moreover.com, Inc. Mr. Sim received an A.B. from Harvard University.

COMPOSITION OF THE BOARD OF DIRECTORS

Our board of directors is divided into three classes, each of whose members serve for a staggered three-year term. Upon the expiration of the term of a class of directors, directors in that class are 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 are Class I Directors whose terms expire at the 2001 annual meeting of stockholders. Mr. Grousbeck and Mr. Bixby are Class II Directors whose terms expire at the 2002 annual meeting of stockholders. Messrs. Lavan, Matschullat and LoCascio are 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. Our existing directors were elected or appointed pursuant to the terms of an agreement among our stockholders. This agreement terminated upon the initial public offering of our common stock.

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.

The Compensation Committee of our 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.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The members of our board of directors, our executive officers and persons who hold more than ten percent of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, which requires them to file reports with respect to their ownership of our common stock and their transactions in such common stock. Based upon a review of (i) the copies of Section 16(a) reports which LivePerson has received from such persons or entities for transactions in our common stock and their common stock holdings for the fiscal year ended December 31, 2000, and (ii) the written representations received from one or more of such persons or entities that no annual Form 5 reports were required to be filed by them for the fiscal year ended December 31, 2000, LivePerson believes that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by its directors, executive officers and greater than ten percent beneficial owners.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation earned for all services rendered to us in all capacities in the fiscal years ended December 31, 2000 and 1999 by our Chief Executive Officer and our four most highly compensated executive officers other than our Chief Executive Officer, who served as executive officers at the end of 2000 and who earned more than \$100,000 in 2000, or who would be listed below under such criteria but for the fact that the individual was not serving as an executive officer at the end of 2000. The Chief Executive Officer and our four most highly compensated executive officers other than the Chief Executive Officer listed below are referred to as the "Named Executive Officers" in this Item 11 and in Item 12.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS	OTHER COMPENSATION
		SALARY (\$)	BONUS (\$)	SECURITIES UNDERLYING OPTIONS (#)	COMMISSIONS
Robert P. LoCascio..... Chief Executive Officer	2000	185,650	50,000	--	--
	1999	125,000	50,000	--	--
Dean Margolis(1)..... Chief Operating Officer	2000	159,164	--	600,000	--
	1999	--	--	--	--
Timothy E. Bixby..... Chief Financial Officer	2000	172,740	35,000	300,000	--
	1999	73,231	--	300,000	--
Scott E. Cohen(2)..... Executive Vice President, Worldwide Sales and Strategic Alliances	2000	185,000	50,000	240,000	278,638
	1999	138,250	--	588,960	--
James L. Reagan(3)..... Chief Technology Officer	2000	165,000	60,000	400,000	--
	1999	--	--	--	--

(1) Mr. Margolis joined the Company in January 2000 and left the Company in January 2001.

(2) Mr. Cohen joined the Company in March 1999 and left the Company in February 2001.

(3) Mr. Reagan joined the Company in January 2000 and left the Company in November 2000.

OPTION GRANTS IN THE FISCAL YEAR ENDED DECEMBER 31, 2000

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 fiscal year ended December 31, 2000. Potential realizable values are computed by (1) multiplying the number of shares of common stock subject to a given option by the market price or assumed fair 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.

NAME	INDIVIDUAL GRANTS					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)		
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE OR BASE PRICE (\$/SH)	MARKET PRICE ON DATE OF GRANT (\$/SH) (1)	EXPIRATION DATE	0% (\$)	5% (\$)	10% (\$)
Robert P. LoCascio.....	--	--	--	--	--	--	--	--
Dean Margolis(3).....	510,000 90,000	9.0 1.6	3.33 1.9375	13.00 1.9375	1/28/10 10/20/10	4,931,700 --	9,101,271 109,664	15,498,213 277,909
Timothy E. Bixby(4).....	75,000 225,000	1.3 4.0	3.33 1.9375	13.00 1.9375	1/28/10 10/20/10	725,250 --	1,338,422 274,159	2,279,149 694,772
Scott E. Cohen(5).....	240,000	4.2	6.67	13.00	3/7/10	1,519,200	3,481,351	6,491,676
James L. Reagan(6).....	300,000 100,000	5.3 1.8	2.00 1.9375	10.65 1.9375	1/10/10 10/20/10	2,595,000 --	4,604,318 121,848	7,687,007 308,788

(1) Each price per share listed in this column for grants before our initial public offering of common stock on April 7, 2000 is the deemed fair market value of the common stock on the date of grant. From January 1, 2000 to January 27, 2000, the deemed fair market value of our common stock was \$10.65 per share. From January 28, 2000 to April 6, 2000, the deemed fair market value of our common stock was \$13.00 per share.

(2) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The 0%, 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 market price or assumed fair market value on the date of grant. 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 "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Risk Factors That May Affect Future Results" elsewhere in this Report on Form 10-K.

(3) Mr. Margolis left the Company in January 2001. Twenty-five percent of Mr. Margolis's option to purchase up to 510,000 shares was vested at the date of his resignation and pursuant to the terms of his employment agreement, this 25% and an additional 25%, which will continue to vest under the option's original vesting schedule, will remain exercisable until the option's original expiration date. One-twelfth of Mr. Margolis's option to purchase up to 90,000 shares was vested at the date of his resignation and pursuant to the terms of his employment agreement, this 8.33% and an additional 16.66%, which will continue to vest under the option's original vesting schedule, will remain exercisable until the option's original expiration date.

(4) Twenty-five percent of Mr. Bixby's option to purchase up to 75,000 shares vested on July 1, 2000 and the remainder will vest in three equal installments on each anniversary thereof. One-twelfth of Mr. Bixby's option to purchase up to 225,000 shares vested on January 1, 2001 and the remainder will vest in 11 equal installments on a quarterly basis thereafter.

(5) Mr. Cohen left the Company in February 2001. Mr. Cohen's option to purchase up to 240,000 shares was completely exercisable at the date of his departure and will remain exercisable until its original expiration date.

(6) Mr. Reagan left the Company in November 2000. Pursuant to the terms of Mr. Reagan's employment agreement, 25% of each of his options to purchase up to 300,000 shares and 100,000 shares will continue to vest under the options' original vesting schedules and will remain exercisable until the options' original expiration dates.

AGGREGATED OPTION EXERCISES IN THE FISCAL YEAR
ENDED DECEMBER 31, 2000 AND YEAR-END OPTION VALUES

The following table provides certain summary information concerning stock options held at December 31, 2000 by each of the Named Executive Officers. No options were exercised during fiscal 2000 by any of the Named Executive Officers. The value of the unexercised in-the-money options at December 31, 2000 is based on the market value of our common stock at December 31, 2000, less the exercise price of the option, multiplied by the number of shares underlying the option.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2000 (\$)(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Robert P. LoCascio.....	--	--	--	--
Dean Margolis.....	127,500	472,500	--	--
Timothy E. Bixby.....	93,750	506,250	19,870	59,611
Scott E. Cohen.....	534,480	294,480	77,301	77,301
James L. Reagan.....	--	--	--	--

(1) The last quoted bid price of our common stock on the Nasdaq National Market on the last trading day of the fiscal year ended December 31, 2000 was \$1.0625 per share.

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 will be granted options to purchase 15,000 shares of our common stock upon their election to the board of directors. In addition, non-employee directors will be granted options to purchase 5,000 shares of our common stock on the date of each annual meeting of stockholders. At the completion of our initial public offering of common stock in April 2000, we granted options to purchase 15,000 shares of our common stock to each of Messrs. Fields, Grousbeck, Lavan and Sim, at an exercise price of \$8.00 per share (equal to the price of our common stock in the offering), which options vest one year from the date of the grant. In addition, at the completion of the initial public offering, we granted an option to purchase 30,000 shares of our common stock to Mr. Matschullat at an exercise price of \$8.00 per share, 15,000 of which 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 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. Pursuant to the agreement, Mr. LoCascio is entitled to receive an annual base salary of not

less than \$125,000, plus an annual discretionary bonus of up to \$50,000, determined by our board based upon achievement of performance objectives. Our board raised Mr. LoCascio's annual salary to \$185,000, effective April 2000. 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.

Timothy E. Bixby, our President and 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 not less than \$140,000 and an annual discretionary bonus. Our board raised Mr. Bixby's annual salary to \$185,000, effective April 2000. 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 consisting of options to purchase up to 202,500 shares of common stock at a purchase price of \$0.67 per share. 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 then outstanding 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.

Our former Chief Operating Officer, Dean Margolis, was employed pursuant to an employment agreement entered into on January 28, 2000. Mr. Margolis left LivePerson in January 2001. We paid Mr. Margolis a fixed annual base salary of not less than \$175,000. Mr. Margolis was 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 consisting of options to purchase up to 510,000 shares of common stock at a purchase price of \$3.33 per share. 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.

Our former Executive Vice President for Worldwide Sales and Strategic Alliances, Scott E. Cohen, was employed pursuant to an employment agreement entered into as of March 29, 1999. Mr. Cohen left LivePerson in February 2001. The agreement's initial term expired on March 31, 2000 and was extended for one year. Mr. Cohen received an annual base salary of not less than \$185,000 and an annual discretionary bonus. For the first year of the agreement's term, we 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 paid 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. 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.

Our former Chief Technology Officer, James L. Reagan, was employed pursuant to an employment agreement entered into on January 3, 2000. Mr. Reagan left LivePerson in November 2000. We paid Mr. Reagan a fixed annual base salary of not less than \$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 was 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 consisting of options to purchase up to 300,000 shares of common stock at a purchase price of \$2.00 per share. 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.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our board of directors created its Compensation Committee on January 12, 2000. Prior to that time, the board of directors as a whole made decisions relating to the compensation of our executive officers. The members of the Compensation Committee since April 6, 2000 have been Mr. Fields, Mr. Grousbeck and Mr. Lavan, none of whom has been an officer or employee of LivePerson at any time since our inception. In addition, Mr. LoCascio and Mr. Sim served on the Compensation Committee at different times prior to April 6, 2000. Mr. LoCascio was our President and Chief Executive Officer for the entire fiscal year ended December 31, 2000. No executive officer of LivePerson serves or has served during the fiscal year ended December 31, 2000 as a member of the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of our board of directors or Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our outstanding common stock as of March 15, 2001, by:

- each person or group of affiliated persons whom we know to beneficially own five percent or more of our common stock;
- each of our directors;
- each of our Named Executive Officers; and
- each of our directors and executive officers as a group.

The following table gives effect to the shares of common stock issuable within 60 days of March 15, 2001 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. Percentage of beneficial ownership is based on 33,969,381 shares of common stock outstanding at March 15, 2001. Unless otherwise indicated, the persons named in the table directly own the shares and have sole voting and sole investment control with respect to all shares beneficially owned.

NAME AND ADDRESS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF COMMON STOCK OUTSTANDING
5% STOCKHOLDERS		
Highland Capital Partners IV Limited Partnership and affiliates(1).....	2,820,584	8.3%
Dell Computer Corporation(2).....	2,631,579	7.7%
DIRECTORS AND EXECUTIVE OFFICERS		
Robert P. LoCascio(3).....	6,681,963	19.7%
Timothy E. Bixby(4).....	182,875	*
Richard L. Fields(5).....	444,971	1.3%
Wycliffe K. Grousbeck(1).....	2,953,742	8.7%
Kevin C. Lavan(6).....	31,065	*
Robert W. Matschullat(7).....	35,000	*
Edward G. Sim(8).....	60,342	*
Directors and Executive Officers as a group (7 persons)(9).....	10,389,958	30.3%

* Less than 1%.

(1) Based on the Schedule 13G filed with the Securities and Exchange Commission on February 5, 2001 for the year ended December 31, 2000 by: Highland Capital Partners IV Limited Partnership ("Highland Capital"); Highland Management Partners IV LLC ("Highland Management"); and Robert F. Higgins, Paul A. Maeder, Daniel J. Nova, Keith E. Benjamin and Wycliffe K. Grousbeck (the managing members of Highland Management and together, the "Investing Managing Members"). The address for Highland Capital, Highland Management and each of the Investing Managing Members is c/o Highland Capital Partners, Inc., Two International Place, Boston, Massachusetts 02110.

Highland Capital is the record owner of and beneficially owns 2,820,584 shares (the "Highland Shares") of common stock. Highland Capital has the power to vote or direct the disposition of all of the Highland Shares. Such power is exercised through Highland Management as the sole general partner of Highland Capital. Highland Management, as the general partner of Highland Capital, may be deemed to own the Highland Shares beneficially. The Investing Managing Members have the power over all investment decisions of Highland Management and therefore

may be deemed to share beneficial ownership of the Highland Shares by virtue of their status as controlling persons of Highland Management. In addition, Highland Entrepreneurs' Fund IV Limited Partnership ("HEF") is the record owner of and beneficially owns 117,525 shares (the "HEF Shares") of common stock. HEF has the power to vote or direct the disposition of all of the HEF Shares. Such power is exercised through Highland Entrepreneurs' Fund IV LLC (the "LLC") as the sole general partner of HEF. The LLC, as the general partner of HEF, may be deemed to own the HEF Shares beneficially. The Investing Managing Members have the power over all investment decisions of the LLC and therefore may be deemed to share beneficial ownership of the HEF Shares by virtue of their status as controlling persons of the LLC.

Each of Highland Capital and Highland Management has sole voting or investment power over zero shares. Highland Capital, Highland Management and each of the Investing Managing Members have shared voting and investment power over the Highland Shares. In addition, each of the Investing Managing Members have shared voting and investment power over the HEF Shares. Highland Management disclaims beneficial ownership of the Highland Shares and each of the Investing Managing Members disclaims beneficial ownership of the Highland Shares and the HEF Shares.

Mr. Higgins is the record owner of, has sole voting and investment power over, and beneficially owns 1,852 shares of common stock in addition to the shares listed above. Mr. Maeder is the record owner of, has sole voting and investment power over, and beneficially owns 1,791 shares of common stock in addition to the shares listed above. Mr. Nova is the record owner of, has sole voting and investment power over, and beneficially owns 1,720 shares of common stock in addition to the shares listed above. Mr. Grousbeck is the record owner of, has sole voting and investment power over, and beneficially owns 633 shares of common stock and options to acquire 15,000 shares of common stock exercisable within sixty days of March 15, 2001 in addition to the shares listed above. Mr. Benjamin is the record owner of, has sole voting and investment power over, and beneficially owns 212 shares of common stock in addition to the shares listed above.

Each of Highland Capital and Highland Management may be deemed to own beneficially 8.3% of the outstanding common stock. Each of the Investing Managing Members may be deemed to own beneficially 8.7% of the outstanding common stock.

- (2) Based on the Schedule 13G filed with the Securities and Exchange Commission on February 14, 2001 for the year ended December 31, 2000 by Dell Computer Corporation ("Dell") and Dell USA L.P., an indirect wholly-owned subsidiary of Dell ("Dell USA"). The address for Dell and Dell USA is One Dell Way, Round Rock, Texas 78682. Consists of 2,631,579 shares of common stock held by Dell USA. Dell and Dell USA may be deemed to share voting and investment power over the shares.
- (3) The address for Mr. LoCascio is c/o LivePerson, Inc., 330 West 34th Street, 10th Floor, New York, New York 10001.
- (4) Includes 181,875 shares of common stock issuable upon exercise of options exercisable within 60 days of March 15, 2001.
- (5) Includes 321,460 shares of common stock and 46,887 shares of common stock issuable upon exercise of warrants held of record by Allen & Company Incorporated ("Allen & Company") and beneficially owned by Mr. Fields, over which he exercises sole voting and investment power. Mr. Fields is a Managing Director of 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 of record by Allen & Company and beneficially owned by Allen & Company or other of its officers and related persons. Also includes 15,000

shares of common stock issuable upon exercise of options exercisable within 60 days of March 15, 2001.

- (6) Consists of 31,065 shares of common stock issuable upon exercise of options exercisable within 60 days of March 15, 2001.
- (7) Includes 15,000 shares of common stock issuable upon exercise of options exercisable within 60 days of March 15, 2001.
- (8) Includes 15,000 shares of common stock issuable upon exercise of options exercisable within 60 days of March 15, 2001.
- (9) Includes 319,827 shares of common stock issuable upon exercise of options or warrants exercisable within 60 days of March 15, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In January 2000, we sold 1,754,386 shares of our series D redeemable convertible preferred stock to, among other investors, an affiliate of Dell Computer Corporation, with gross proceeds from Dell of \$10.0 million. As of March 15, 2001, Dell beneficially owned more than five percent of our common stock.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements.

Incorporated by reference to the index of consolidated financial statements included in Item 8 to this Report on Form 10-K.

2. Financial Statement Schedules.

None.

3. Exhibits.

Incorporated by reference to the index of exhibits included in paragraph (c) below.

(b) Reports on Form 8-K.

We filed a current report on Form 8-K (Items 2 and 7), dated October 12, 2000 and filed October 19, 2000, announcing our acquisition of HumanClick Ltd. We filed an amendment to this report on Form 8-K (Items 2 and 7) on November 13, 2000, to include the following financial statements:

Balance sheet of HumanClick Ltd. as of December 31, 1999 and the related statements of loss, changes in shareholders' equity and cash flows for the period from June 24, 1999 (date of incorporation) to December 31, 1999.

Unaudited condensed interim balance sheet of HumanClick Ltd. at June 30, 2000 and the related unaudited condensed interim statements of loss, changes in shareholders' equity and cash flows for the six months ended June 30, 2000.

Unaudited pro forma condensed combined Statements of Operations for the year ended December 31, 1999 and the six months ended June 30, 2000 and unaudited pro forma condensed combined Balance Sheet as of June 30, 2000.

(c) Exhibits.

NUMBER - - - - -	DESCRIPTION - - - - -
2.1	Stock Purchase Agreement, dated as of October 12, 2000, among Registrant, HumanClick Ltd. and the shareholders of HumanClick Ltd. named in Schedule I thereto (incorporated by reference to Exhibit 2 of the Registrant's Current Report on Form 8-K, dated October 12, 2000 and filed October 19, 2000)
3.1	Fourth Amended and Restated Certificate of Incorporation
3.2	Second Amended and Restated Bylaws, as amended
4.1	Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-96689) ("Registration No. 333-96689"))
4.2	Second Amended and Restated Registration Rights Agreement, dated as of January 27, 2000, by and among Registrant, the several persons and entities named on the signature pages thereto as Investors, and Robert LoCascio (incorporated by reference to Exhibit 4.2 of Registration No. 333-96689)
4.3	See Exhibits 3.1 and 3.2 for further provisions defining the rights of holders of common stock of the Registrant

NUMBER	DESCRIPTION
10.1	Employment Agreement between Registrant and Robert P. LoCascio, dated as of January 1, 1999 (incorporated by reference to Exhibit 10.1 of Registration No. 333-96689)*
10.2	Employment Agreement between Registrant and Timothy E. Bixby, dated as of June 23, 1999 (incorporated by reference to Exhibit 10.3 of Registration No. 333-96689)*
10.3	2000 Stock Incentive Plan*
10.4	Employee Stock Purchase Plan*
10.5	Agreement of Lease between Vornado 330 West 34th Street L.L.C. as Landlord and Registrant as Tenant, dated as of March 8, 2000 (incorporated by reference to Exhibit 10.8 of Registration No. 333-96689)
10.6	Master Lease and Financing Agreement (with exhibits and schedules) by and between Compaq Financial Services Corporation and Registrant, dated as of August 28, 2000
21.1	Subsidiaries
23.1	Consent of KPMG LLP

* Management contract or compensatory plan or arrangement

(d) Financial Statement Schedules.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2001.

LIVEPERSON, INC.

By: /s/ ROBERT P. LOCASCIO

Robert P. LoCascio
CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 30, 2001.

SIGNATURE

TITLE(S)

/s/ ROBERT P. LOCASCIO

Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)

Robert P. LoCascio

/s/ TIMOTHY E. BIXBY

President, Chief Financial Officer, Secretary and Director (principal financial and accounting officer)

Timothy E. Bixby

/s/ RICHARD L. FIELDS

Director

Richard L. Fields

/s/ WYCLIFFE K. GROUSBECK

Director

Wycliffe K. Grousbeck

/s/ KEVIN C. LAVAN

Director

Kevin C. Lavan

/s/ ROBERT W. MATSCHULLAT

Director

Robert W. Matschullat

/s/ EDWARD G. SIM

Director

Edward G. Sim

EXHIBIT INDEX

NUMBER	DESCRIPTION
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2.1	Stock Purchase Agreement, dated as of October 12, 2000, among Registrant, HumanClick Ltd. and the shareholders of HumanClick Ltd. named in Schedule I thereto (incorporated by reference to Exhibit 2 of the Registrant's Current Report on Form 8-K, dated October 12, 2000 and filed October 19, 2000)
3.1	Fourth Amended and Restated Certificate of Incorporation
3.2	Second Amended and Restated Bylaws, as amended
4.1	Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-96689) ("Registration No. 333-96689"))
4.2	Second Amended and Restated Registration Rights Agreement, dated as of January 27, 2000, by and among Registrant, the several persons and entities named on the signature pages thereto as Investors, and Robert LoCascio (incorporated by reference to Exhibit 4.2 of Registration No. 333-96689)
4.3	See Exhibits 3.1 and 3.2 for further provisions defining the rights of holders of common stock of the Registrant
10.1	Employment Agreement between Registrant and Robert P. LoCascio, dated as of January 1, 1999 (incorporated by reference to Exhibit 10.1 of Registration No. 333-96689)*
10.2	Employment Agreement between Registrant and Timothy E. Bixby, dated as of June 23, 1999 (incorporated by reference to Exhibit 10.3 of Registration No. 333-96689)*
10.3	2000 Stock Incentive Plan*
10.4	Employee Stock Purchase Plan*
10.5	Agreement of Lease between Vornado 330 West 34th Street L.L.C. as Landlord and Registrant as Tenant, dated as of March 8, 2000 (incorporated by reference to Exhibit 10.8 of Registration No. 333-96689)
10.6	Master Lease and Financing Agreement (with exhibits and schedules) by and between Compaq Financial Services Corporation and Registrant, dated as of August 28, 2000
21.1	Subsidiaries
23.1	Consent of KPMG LLP

 * Management contract or compensatory plan or arrangement

FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

LIVEPERSON, INC.

(Pursuant to Sections 228, 242 and 245 of the
General Corporation Law of the State of Delaware)

LivePerson, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "General Corporation Law"),

DOES HEREBY CERTIFY:

FIRST: The present name of the Corporation is "LivePerson, Inc." The name under which the Corporation was originally incorporated was "Sybarite Interactive Inc." The date of filing of the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware was November 29, 1995. A Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on January 21, 1999, changing the Corporation's name to Live Person, Inc. Amended and Restated Certificates of Incorporation of the Corporation were filed with the Secretary of State of the State of Delaware on July 19, 1999 and January 27, 2000. An amendment to the Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on March 8, 2000, changing the Corporation's name to LivePerson, Inc. Pursuant to Sections 242 and 245 of the General Corporation Law, this Fourth Amended and Restated Certificate of Incorporation restates, integrates and further amends the provisions of the Third Amended and Restated Certificate of Incorporation.

SECOND: That the Board of Directors duly adopted resolutions proposing to amend and restate the Third Amended and Restated Certificate of Incorporation of the Corporation, declaring said amendment and restatement to be advisable and in the best interests of the Corporation and its stockholders, and authorizing the appropriate officers of the Corporation to solicit the consent of the stockholders of the issued and outstanding Common Stock, par value \$.001 per share, and Preferred Stock, par value \$.001 per share, voting as a single class and as separate classes, all in accordance with the applicable provisions of Sections 228, 242 and 245 of the General Corporation Law.

THIRD: That the resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the Third Amended and Restated of Certificate of Incorporation of the Corporation be amended and restated in its entirety as follows:

ARTICLE I

NAME

The name of the Corporation is LivePerson, Inc.

ARTICLE II

REGISTERED OFFICE

The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, State of Delaware 19801. The name of its registered agent at such address is Corporation Trust Company.

ARTICLE III

PURPOSE / TERM

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law. The Corporation is to have perpetual existence.

ARTICLE IV

CAPITAL STOCK

A. CLASSES OF STOCK. The total number of shares of stock which the Corporation shall have authority to issue is one hundred and five million (105,000,000), consisting of five million (5,000,000) shares of Preferred Stock, par value \$.001 per share (the "Preferred Stock"), and one hundred million (100,000,000) shares of Common Stock, par value \$.001 per share (the "Common Stock"). The consideration for the issuance of the shares shall be paid to or received by the Corporation in full before their issuance and shall not be less than the par value per share. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

B. COMMON STOCK.

(1) GENERAL. All shares of Common Stock will be identical and will entitle the holders thereof to the same rights, powers and privileges. The rights, powers and privileges of the holders of the Common Stock are subject to and qualified by the rights of holders of any then outstanding Preferred Stock.

(2) DIVIDENDS. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

(3) DISSOLUTION, LIQUIDATION OR WINDING UP. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, each issued and outstanding share of Common Stock shall entitle the holder thereof to receive an equal portion of the net assets of the Corporation available for distribution to the holders of Common Stock, subject to any preferential rights of any then outstanding Preferred Stock.

(4) VOTING RIGHTS. Except as otherwise required by law or this Fourth Amended and Restated Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held of record by such holder on the books of the Corporation for the election of directors and on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise required by law or provided herein, holders of Preferred Stock shall vote together with holders of Common Stock as a single class, subject to any special or preferential voting rights of any then outstanding Preferred Stock. There shall be no cumulative voting.

(5) REDEMPTION. The Common Stock is not redeemable.

C. PREFERRED STOCK. The Board of Directors is authorized, subject to limitations prescribed by law, by the rules of a national securities exchange or automated quotation system of a registered national securities association, if applicable, and by the provisions of this ARTICLE IV, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish, from time-to-time, the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following ("Preferred Designations"):

(1) The number of shares constituting that series and the distinctive designation of that series;

(2) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(3) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(4) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(5) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(6) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(7) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights or priority, if any, of payment of shares of that series; and

(8) Any other relative rights, preferences and limitations of that series.

Dividends on outstanding shares of Preferred Stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on the Common Stock with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of Preferred Stock in accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

Except as may be provided by the Board of Directors in a Preferred Designation or as required by law, shares of any series of Preferred Stock that have been redeemed or purchased by the Corporation, or, if convertible or exchangeable, have been converted into or exchanged for shares of stock of any other class or classes shall have the status of authorized and unissued shares of Preferred Stock, and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preferred Stock.

D. PREEMPTIVE RIGHTS. No holder of any of the shares of any class or series of stock or of options, warrants or other rights to purchase shares of any class or series of stock or of other securities of the Corporation shall have any preemptive right to purchase or subscribe for any unissued stock of any class or series, or any unissued bonds, certificates of indebtedness, debentures or other securities convertible into or exchangeable for stock of any class or series or carrying any right to purchase stock of any class or series; but any such unissued stock, bonds, certificates or indebtedness, debentures or other securities convertible into or exchangeable for stock or carrying any right to purchase stock may be issued pursuant to resolution of the Board of Directors of the Corporation to such persons, firms, corporations or associations, whether or not holders thereof, and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its sole discretion.

ARTICLE V

DIRECTORS

A. NUMBER. The number of directors of the Corporation shall be such number, not less than three (3) nor more than fifteen (15) (exclusive of directors, if any, to be elected by holders of preferred stock of the Corporation, voting separately as a class), as shall be set forth from time to time in the Corporation's Amended and Restated Bylaws (the "Bylaws"); PROVIDED THAT no action shall be taken to decrease or increase the authorized number of directors unless at least 66.67% of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose approve such decrease or increase. Vacancies in the Board of Directors of the Corporation, however caused, and newly created directorships shall be filled by a vote of a majority of the directors then in office, whether or not a quorum, and any director so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of the class to which the director has been chosen expires and when the director's successor is elected and qualified.

B. CLASSIFIED BOARD OF DIRECTORS. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III, each of which shall be as nearly equal in number as possible. Each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting at which the director was elected; PROVIDED, HOWEVER, that each initial director in Class I shall hold office until the annual meeting of stockholders in 2001; each initial director in Class II shall hold office until the annual meeting of stockholders in 2002; and each initial director in Class III shall hold office until the annual meeting of stockholders in 2003. Notwithstanding the foregoing provisions of this ARTICLE V, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal.

Subject to the provisions of this ARTICLE V, should the number of directors not be equally divisible by three, the excess director or directors shall be assigned to Classes I or II as follows: (i) if there shall be an excess of one directorship over a number equally divisible by three, such extra directorship shall be classified in Class I; and (ii) if there shall be an excess of two directorships over a number divisible by three, one shall be classified in Class I and the other in Class II.

In the event of any increase or decrease in the authorized number of directors, (1) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his earlier resignation, removal from office or death, and (2) the newly created or eliminated directorship resulting from such increase or decrease shall be appointed by the Board of Directors among the three classes of directors so as to maintain such classes as nearly equal as possible.

C. REMOVAL OF DIRECTORS. Notwithstanding any other provisions of this Fourth Amended and Restated Certificate of Incorporation or the Bylaws, any director or the entire Board of Directors of the Corporation may be removed, at any time, but only for cause and by the affirmative vote of the holders of not less than 66.67% of the outstanding shares of capital

stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose. Notwithstanding the foregoing, whenever the holders of any one or more series of preferred stock of the Corporation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the preceding provisions of this ARTICLE V shall not apply with respect to the director or directors elected by such holders of preferred stock.

D. DIRECTORS ELECTED BY HOLDERS OF PREFERRED STOCK. During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article IV, then upon commencement and for the duration of the period during which such right continues (1) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions, and (2) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to death, disqualification, resignation or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such Preferred Stock, the terms of office of all such additional directors elected by the holders of such Preferred Stock, or elected to fill any vacancies resulting from death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total and authorized number of directors of the Corporation shall be reduced accordingly. Notwithstanding the foregoing, whenever, pursuant to the provisions of Article IV, the holders of any one or more series of Preferred Stock shall have the right, voting separately as a series or together with holders of other such series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Corporation's Amended and Restated Certificate of Incorporation (as then in effect) and the Certificate of Designation applicable thereto.

ARTICLE VI

STOCKHOLDER MEETINGS

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws. The stockholders of the Corporation may not take any action by written consent in lieu of a meeting.

ARTICLE VII

LIMITATION OF DIRECTORS' LIABILITY

Except to the extent that the General Corporation Law prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. If the General Corporation Law is amended after approval by the stockholders of this ARTICLE VII to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law, as so amended. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

ARTICLE VIII

INDEMNIFICATION

The Corporation may, to the fullest extent permitted by Section 145 of the General Corporation Law, as amended from time to time, indemnify each 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 or in the right of the Corporation or otherwise, by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom.

Indemnification may include payment by the Corporation of expenses in defending an action or proceeding in advance of the final disposition of such action or proceeding upon receipt of an undertaking by the Indemnitee to repay such payment if it is ultimately determined that such person is not entitled to indemnification under this ARTICLE VIII, which undertaking may be accepted without reference to the financial ability of such person to make such repayment.

The Corporation shall not indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person unless the initiation thereof was approved by the Board of Directors of the Corporation.

The indemnification rights provided in this ARTICLE VIII (i) shall not be deemed exclusive of any other rights to which Indemnitees may be entitled under any law, agreement or vote of stockholders or disinterested directors or otherwise, and (ii) shall inure to

the benefit of the heirs, executors and administrators of such persons. The Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this ARTICLE VIII.

Any repeal or modification of the foregoing provisions of this Article VIII shall not adversely affect any right or protection hereunder of any Indemnitee in respect of any act or omission occurring prior to the time of such repeal or modification.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the General Corporation Law.

In the event the General Corporation Law is amended after the date hereof to authorize corporate action further limiting or eliminating the personal liability of directors or officers, then the personal liability of a director or officer of the Corporation shall be further limited or eliminated to the fullest extent permitted by the General Corporation Law, as so amended.

ARTICLE IX

AMENDMENT OF BYLAWS

In furtherance of and not in limitation of powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to adopt, repeal, alter, amend and rescind the Bylaws by the affirmative vote of at least 66.67% of the Board of Directors.

ARTICLE X

AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Fourth Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Fourth Amended and Restated Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in ARTICLES V, VI, VII, VIII, IX and this ARTICLE X may not be repealed, altered, amended or rescinded in any respect unless the same is approved by the affirmative vote of the holders of not less than 66.67% of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as a single class) cast at a meeting of the stockholders called for that purpose (provided that notice of such proposed repeal, alteration, amendment or rescission is included in the notice of such meeting).

* * *

FOURTH: That said amendments were duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law.

IN WITNESS WHEREOF, this Fourth Amended and Restated Certificate of Incorporation has been signed by the Chief Executive Officer and the Secretary of the Corporation this 12th day of April, 2000.

/s/ ROBERT P. LOCASCIO

Robert P. LoCascio, Chief Executive Officer

/s/ TIMOTHY E. BIXBY

Timothy E. Bixby, Secretary

SECOND AMENDED AND RESTATED BY-LAWS OF LIVEPERSON, INC.

ARTICLE I

CERTIFICATE OF INCORPORATION AND BYLAWS

Section 1. These Second Amended and Restated Bylaws (the "Bylaws") are subject to the Fourth Amended and Restated Certificate of Incorporation (as it may be amended and/or restated from time to time, the "Certificate of Incorporation") of LivePerson, Inc., a Delaware corporation (the "Corporation"). In these Bylaws, references to law, statutes, the Certificate of Incorporation and Bylaws mean the law, applicable statutes, the Certificate of Incorporation and these Bylaws, each as from time to time in effect.

ARTICLE II

OFFICES

Section 1. The registered office of the Corporation in the State of Delaware shall be at 1013 Centre Road, in the city of Wilmington, County of New Castle, State of Delaware. The registered agent at such address shall be Corporation Service Company.

Section 2. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors of the Corporation (the "Board of Directors") may from time to time determine or the business of the Corporation may require.

ARTICLE III

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect, by a plurality vote, the directors to be elected at such meeting, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not fewer than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the Corporation shall prepare and make (or cause to be prepared or made), at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may only be called by the Chairman of the Board or the President and shall be called by the Chairman of the Board, the President or Secretary, at the request in writing of two-thirds of the Board of Directors.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of fifty percent (50%) of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 10. Unless otherwise provided in the Certificate of Incorporation, each stockholder shall, at every meeting of the stockholders, be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

Section 11. Unless otherwise provided in the Certificate of Incorporation, the Chairman of the Board may adjourn a meeting of stockholders from time to time, without notice other than announcement at the meeting. No notice of the time and place of an adjourned meeting need be given except as required by law.

Section 12.

A. ANNUAL MEETINGS OF STOCKHOLDERS

1. Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 12, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 12.

2. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph A.1. of this Section 12, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the date of the preceding year's annual meeting; PROVIDED, HOWEVER, that if either the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in

such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (y) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (z) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

3. Notwithstanding anything in the second sentence of paragraph A.2. of this Section 12 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least seventy (70) days prior to the first anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least seventy (70) days prior to such annual meeting), a stockholder's notice required by this Section 12 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

B. SPECIAL MEETINGS OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time notice provided for in this Section 12 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election, who complies with the notice procedures set forth in this Section 12. If the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph A.2. of this Section 12 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120) day prior to such special meeting and not later than the later of (y) the close of business of the ninetieth (90th) day prior to such special meeting or (z) the close of business of the tenth (10th) day following the day on which public announcement is first made of the date of

such special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

C. GENERAL.

1. Only such persons who are nominated in accordance with the procedures set forth in this Section 12 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 12. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the Chairman of the Board shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 12 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (c)(iv) of paragraph A.2. of this Section 12) and (b) if any proposed nomination or business was not made or proposed in compliance with this Section 12, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted.

2. For purposes of this Section 12, the term "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 and 15(d) of the Exchange Act.

3. Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 12 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

Notwithstanding any other provision of law, the Certificate of Incorporation or these Bylaws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least 66.67% of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Section 12.

ARTICLE IV

DIRECTORS

GENERAL

Section 1. The number of directors which shall constitute the whole Board shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting of the stockholders, except as provided in Section 2 of this Article. The Board shall be divided into three classes as nearly equal in number as possible. The members of each class shall be elected for a term of three years and until their successors are elected and qualified. The Board of Directors shall be classified in accordance with the provisions of the Corporation's Certificate of Incorporation. Directors need not be stockholders.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election at which such director's class is to be elected and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3. The business of the Corporation shall be managed by or under the direction of its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors. Members of the Board of Directors may participate in regular or special meetings by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other. Such participation shall constitute presence in person.

Section 6. Special meetings of the Board may be called by the Corporation's Chairman of the Board, Chief Executive Officer or President on not less than two (2) days' notice to each director by mail or not less than twenty four (24) hours' notice to each director, either personally or by facsimile; special meetings shall be called by the Corporation's Chairman of the Board, Chief Executive Officer, President or Secretary in like manner and on like notice on the written request of two directors, unless the Board consists of only one director, in which case special meetings shall be called by the Corporation's Chairman of the Board, Chief Executive Officer, President or Secretary in like manner and on like notice on the written request of the sole director.

Section 7. At all meetings of the Board a majority of the directors fixed by Section 1 of this Article shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 8. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board, or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 9. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES OF DIRECTORS

Section 10. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in

the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending these Bylaws; and, unless the resolution or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors and may, but is not required to, adopt a written charter setting forth the matters to be determined by such committee, the scope of the responsibilities of such committee, and the means by which such committee carries out such responsibilities.

Section 11. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

COMPENSATION OF DIRECTORS

Section 12. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

REMOVAL OF DIRECTORS

Section 13. Any director or the entire Board of Directors may be removed only in accordance with the provisions of the Certificate of Incorporation.

ARTICLE V

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at the address appearing on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telecopy.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VI

OFFICERS

Section 1. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of a Chief Executive Officer, Chief Financial Officer, President, Treasurer and a Secretary. The Board of Directors may elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The Board of Directors may also choose one or more Vice-Presidents, Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 2. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a Chief Executive Officer, a President, a Treasurer, and a Secretary and may choose Vice-Presidents.

Section 3. The Board of Directors may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 4. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors or a committee thereof.

Section 5. The officers of the Corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

Section 6. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which such individual shall be present. Such individual shall have and may exercise such powers as are, from time to time, assigned to him by the Board of Directors and as may be provided by law.

Section 7. In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which such individual shall be present. Such individual shall have and may exercise such powers as are, from time to time, assigned to him by the Board of Directors and as may be provided by law.

CHIEF EXECUTIVE OFFICER

Section 8. The Chief Executive Officer shall have general and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

Section 9. The Chief Executive Officer shall have the power to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to another officer or agent of the Corporation.

THE PRESIDENT

Section 10.

The President shall conduct general and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect, subject, however, to the right of the Board of Directors to delegate any specific powers, except such as may be by statute exclusively conferred on the President, to any other officer or officers of the Corporation. The President shall have the general power and duties of supervision and management usually vested in the office of President of a corporation. In the absence of the Chairman and Vice Chairman of the Board of Directors, the President shall preside at all meetings of the stockholders and the Board of Directors.

The President shall have the power to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to another officer or agent of the Corporation.

THE VICE-PRESIDENTS

Section 11. In the absence of the President or in the event of his inability or refusal to act, the Vice-President, if any, (or in the event there be more than one Vice-President, the Vice-Presidents in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

Section 12. The secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. Such individual shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors,

and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision such individual shall be. Such individual shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 13. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 14. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

Section 15. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as treasurer and of the financial condition of the Corporation.

Section 16. If required by the Board of Directors, such individual shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 17. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VII

CERTIFICATE OF STOCK

Section 1. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by, the Chairman or Vice-Chairman of the Board of Directors, or the President or a Vice-President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions or such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock; PROVIDED THAT, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such individual were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFER OF STOCK

Section 4. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

Section 5. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board of Directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the Board of Directors shall think conducive to the

interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

CHECKS

Section 3. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

Section 4. The fiscal year of the Corporation shall end on December 31, unless otherwise fixed by resolution of the Board of Directors.

SEAL

Section 5. The Board of Directors may adopt a corporate seal having inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

TRANSACTIONS WITH INTERESTED PARTIES

Section 6. No contract or transaction between the Corporation and one or more of the directors or officers, or between the Corporation and any other corporation, partnership, or other entity in which one or more of the directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because such director or officer is present at or participates in the meeting of the Board of Directors or a committee of the Board of Directors which authorizes the contract or transaction or solely because his, her or their votes are counted for such purpose, if:

A. The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

B. The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

C. The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee of the Board of Directors or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IX

AMENDMENTS

These Bylaws may be repealed, altered, amended or rescinded by the stockholders of the Corporation by vote of not less than 66.67% of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose (provided that notice of such proposed repeal, alteration, amendment or rescission is included in the notice of such meeting). In addition, in accordance with the Certificate of Incorporation, the Board of Directors may repeal, alter, amend or rescind these Bylaws by the affirmative vote of at least 66.67% of the Board of Directors.

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 split of the Common Stock 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 Four Million One Hundred Sixty Five

Thousand Three Hundred Fifteen (4,165,315) 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.

3. 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.

4. 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):

$$X = A / (B \times 66-2/3\%), \text{ where}$$

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, become 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 annual 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):

$$X = A / (B \times 66-2/3\%), \text{ where}$$

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 20, 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 an 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 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.

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 split of the Common Stock 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 designee) 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) the last business day in April 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.

MASTER LEASE AND FINANCING AGREEMENT

This Master Lease and Financing Agreement (together with Exhibits A through F attached hereto and hereby made a part hereof, this "Master Agreement"), dated as of August 28, 2000 is entered into by and between Compaq Financial Services Corporation, a Delaware corporation ("Lessor"), and LivePerson, Inc. a Delaware corporation ("Lessee"). Capitalized terms used in this Master Agreement without definition have the meanings ascribed to them in Section 31.

1. PURPOSE OF MASTER AGREEMENT. The purpose of this Master Agreement is to set forth the general terms and conditions upon which (a) Lessor shall lease to Lessee and Lessee shall lease from Lessor items of Hardware, Software or both (such Hardware and Software being collectively referred to as "Equipment", and each such lease of Equipment being referred to as a "Lease"), and (b) Lessor shall provide financing to Lessee (each such financing transaction being referred to as a "Financing") for software program license fees, maintenance fees, fees for other services and other one-time charges ("Financed Items") Lessee desires to finance hereunder. In connection with its execution of this Master Agreement, Lessee shall deliver to Lessor an Officer's Certificate in form and substance acceptable to Lessor, executed by a duly authorized officer of Lessee and certifying as to, among other things, Lessee's authority to enter into this Master Agreement and Leases and Financings hereunder and the authority of Lessee's officers or representatives specified therein to execute this Master Agreement and all other Fundamental Agreements.

2. ALTERNATIVE COMMENCEMENT PROCEDURES. Subject to the other terms and conditions contained in this Master Agreement and the applicable Schedule or Advance Pricing Agreement, Lessee may, at its option, enter into individual Leases and Financings with Lessor under either or both of the following procedures:

A. TRADITIONAL PROCEDURE. (a) EXECUTION OF SCHEDULE. Lessor and Lessee mutually agree to enter into a Lease, a Financing or both by executing a Schedule in the form of Exhibit A with such changes as Lessor and Lessee shall have agreed to as conclusively evidenced by their execution thereof. Each such Schedule shall specifically identify (by serial number or other identifying characteristics) the items of Equipment to be leased under such Schedule (other than items of System Software, which shall be deemed to be items of Software leased under the Schedule pursuant to which the related items of Hardware are leased), and the Financed Items to be financed under such Schedule. Each Schedule, when executed by both Lessee and Lessor, together with this Master Agreement, shall constitute a separate and distinct Lease, a separate and distinct Financing, or a separate and distinct Lease and a separate and distinct Financing, as the case may be, enforceable according to its terms. In the event of any conflict between the terms of this Master Agreement and such Schedule, the provisions of the Schedule shall govern.

(b) ACCEPTANCE; INITIAL TERM OF LEASES AND TERM OF FINANCINGS. Lessee shall accept the Equipment subject to a Lease and the Financed Items subject to a Financing in accordance with Section 3. The Initial Term of each Lease and, if applicable, the Term of any related Financing evidenced by a Schedule executed pursuant to this Section 2.A shall begin on the Acceptance Date of the Equipment subject to such Lease and shall continue for the period described in the applicable Schedule. The Term of each Financing evidenced by a Schedule executed pursuant to this Section 2.A that is unrelated to any Lease shall begin on the Acceptance Date for the related Financed Items and shall continue for the period described in the applicable Schedule.

(c) ADJUSTMENTS TO SCHEDULE. Lessee acknowledges that the Total Cost of Equipment and Financed Items and the related Rent payments set forth in any Schedule executed pursuant to this Section 2.A may be estimates, and if the final invoice from the Seller specifies a Total Cost that is more or less than the estimated Total Cost set forth in the Schedule, Lessee hereby authorizes Lessor to adjust the applicable Total Cost and Rent payment on the Schedule to reflect the final invoice amount (the "Final Invoice Amount"). However, if the Final Invoice Amount exceeds the estimated Total Cost by more than 5%, Lessor will notify Lessee and obtain Lessee's prior written approval of the aforementioned adjustments. If Lessee fails to so approve any such adjustments within 15 days of Lessor's request, then the affected Schedule shall terminate without penalty to either Lessor or Lessee and Lessee shall be solely responsible for all obligations arising under the applicable Purchase Documents, including, without limitation, the obligation to purchase Equipment and pay Financed Items. All references in this Master Agreement and any Schedule to Total Cost and Rent shall mean the amounts thereof specified in the applicable Schedule, as adjusted pursuant to this paragraph. Lessee also acknowledges that the Equipment and Financed Items described in a Schedule may differ from the description of the Equipment and Financed Items set forth in the related Acceptance Certificate and actually accepted by Lessee. Lessee hereby authorizes Lessor to conform the description of the Equipment and Financed Items set forth in any Schedule to the description thereof in the related Acceptance Certificate. All references in the Master Agreement and any Schedule to the Equipment subject to a Lease and the Financed Items subject to a Financing shall mean the Equipment and Financed Items described in the applicable Schedule, as conformed to the related Acceptance Certificate pursuant to this paragraph.

B. FUNDING CONSOLIDATION PROCEDURE. (a) EXECUTION OF ADVANCE PRICING AGREEMENT. Lessor and Lessee mutually agree to enter into one or more Leases, Financings or both by executing, from time to time, an Advance Pricing Agreement in the form of Exhibit B with such changes as Lessor and Lessee shall have agreed to as conclusively evidenced by their execution thereof. Subject to the following provisions of this Section 2.B, such Advance Pricing Agreement shall constitute a commitment on the part of Lessor, during the Commitment Period specified therein (i) to purchase Equipment of the type(s) described therein and enter into one or more Leases of the same with Lessee at the lease rates set forth therein, and (ii) to fund Financed Items of the type(s) described therein and enter into one or more Financings of the same with Lessee at the financing rates set forth therein; provided, however, that Lessor shall under no circumstances be obligated to purchase Equipment or fund Financed Items if (x) such purchase or funding would require Lessor to expend moneys in excess of the

Amount Available specified in the Advance Pricing Agreement less the aggregate amount previously paid or committed to be paid by Lessor to acquire Equipment or fund Financed Items during such Commitment Period, or (y) any Lessee Default shall have occurred and be continuing under any Lease or Financing or any event shall have occurred and be continuing which, with the giving of notice or the passage of time or both, would constitute a Lessee Default under any Lease or Financing, or (z) Lessee shall have failed to deliver to Lessor any financial statements in accordance with the provisions of paragraph (f) below or any material adverse change shall have occurred in Lessee's financial or operating condition, as determined by Lessor in its sole discretion, after the date of the last financial statements of Lessee delivered to Lessor prior to the execution and delivery of such Advance Pricing Agreement.

(b) LESSOR'S PURCHASE OF EQUIPMENT AND FUNDING OF FINANCED ITEMS. Subject to the provisions of this Section 2.B and the applicable Advance Pricing Agreement, Lessor shall, at Lessee's request made during the Commitment Period specified in such Advance Pricing Agreement (i) purchase Equipment of the type(s) described therein and enter into a Lease of such Equipment with Lessee, and (ii) fund Financed Items of the type(s) described therein and enter into a Financing with Lessee relating to such Financed Items. Until such time as Lessee shall have executed and delivered to Lessor a Consolidating Schedule in accordance with paragraph (d) below, each such Lease or Financing shall be governed by the terms of this Master Agreement, the applicable Advance Pricing Agreement and the Acceptance Certificate executed and delivered to Lessor by Lessee pursuant to paragraph (c) below. Each such Acceptance Certificate shall specifically identify (by serial number or other identifying characteristics) the items of Equipment to be leased thereunder (other than items of System Software, which shall be deemed to be items of Software leased together with the related items of Hardware) and the Financed Items to be financed thereunder. Until Lessee shall have executed and delivered to Lessor a Consolidating Schedule, each such Acceptance Certificate, when executed and delivered by Lessee and accepted by Lessor, together with this Master Agreement and the applicable Advance Pricing Agreement, shall constitute a separate and distinct Lease, a separate and distinct Financing, or a separate and distinct Lease and a separate and distinct Financing, as the case may be, enforceable according to its terms. In the event of any conflict among the terms of such documents, the provisions of such Acceptance Certificate shall control over conflicting provisions in such Advance Pricing Agreement or this Master Agreement and the provisions of such Advance Pricing Agreement shall control over conflicting provisions in this Master Agreement.

(c) ACCEPTANCE; INITIAL TERM OF LEASES AND TERM OF FINANCINGS. Lessee shall accept the Equipment subject to a Lease and the Financed Items subject to a Financing in accordance with Section 3. The Initial Term of each Lease and, if applicable, the Term of any related Financing evidenced by an Advance Pricing Agreement and an Acceptance Certificate shall begin on the Acceptance Date of the Equipment subject to such Lease and shall continue for the period determined pursuant to such Advance Pricing Agreement. The Term of each Financing evidenced by an Advance Pricing Agreement and an Acceptance Certificate that is unrelated to any Lease shall begin on the Acceptance Date for the related Financed Items and shall continue for the period determined pursuant to such Advance Pricing Agreement.

(d) PERIODIC CONSOLIDATION OF LEASES AND FINANCINGS. All Leases and Financings commenced during a Consolidation Period (as specified in the applicable Advance Pricing Agreement) pursuant to this Section 2.B shall be consolidated into a single Schedule (a "Consolidating Schedule") in the form of Exhibit C with such

changes as Lessor and Lessee shall have agreed to as conclusively evidenced by their execution thereof. Lessor shall prepare and deliver to Lessee a Consolidating Schedule as of the close of each applicable Consolidation Period. Lessee agrees to execute and deliver each Consolidating Schedule to Lessor within 10 days after its receipt thereof from Lessor. From and after Lessee's execution and delivery to Lessor of a Consolidating Schedule, the Consolidating Schedule shall supersede the applicable Acceptance Certificates and the Advance Pricing Agreement with respect to all Leases and Financings commenced during the Consolidation Period to which such Consolidating Schedule relates, and all such Leases shall be deemed to be a single, separate and distinct Lease and all such Financings shall be deemed to be a single, separate and distinct Financing, in each case governed by such Consolidating Schedule and this Master Agreement and enforceable in accordance with its terms. In the event of any conflict between the terms of this Master Agreement and such Consolidating Schedule, the provisions of the Consolidating Schedule shall govern.

(e) FAILURE OF LESSEE TO DELIVER CONSOLIDATING SCHEDULE. If Lessee fails to execute and deliver to Lessor any Consolidating Schedule within 10 days after its receipt thereof, Lessor may exercise its rights and remedies under Section 21 and 22 of this Master Agreement arising as a result of such failure, either immediately or at any time during the Initial Term of the Leases or the Term of the Financings to which such Consolidating Schedule relates. No delay in exercising such rights or remedies shall operate as a waiver thereof. Lessee acknowledges and agrees that Rent with respect to such Leases and Financings shall be payable in the amounts and at the times determined pursuant to the applicable Advance Pricing Agreement and Acceptance Certificates, regardless of whether Lessee shall have received such Consolidating Schedule from Lessor or executed and delivered the same to Lessor as of the time any such payment is due.

(f) FINANCIAL STATEMENTS. Lessee shall, at all times during which any Advance Pricing Agreement is effective, deliver to Lessor its quarterly and annual financial statements no later than 45 days after the end of each of Lessee's fiscal quarters or 90 days after the end of each of Lessee's fiscal years, as applicable. Such annual financial statements shall be audited and certified by Lessee's independent certified public accountants.

3. ACCEPTANCE OF EQUIPMENT AND FINANCED ITEMS. (a) GENERAL. Lessee shall unconditionally and irrevocably accept all Equipment under a Lease and, if applicable, all related Financed Items subject to a Financing as soon as such Equipment is delivered and inspected by Lessee or, if acceptance requirements for such Equipment, related Financed Items or both are specified in the applicable Purchase Documents, as soon as such requirements are met. Lessee shall evidence such acceptance by executing and delivering to Lessor a properly completed Acceptance Certificate in substantially the form of (i) Exhibit D if the Lease or the Lease and the related Financing, as the case may be, is evidenced by a Schedule executed pursuant to Section 2.A, or (ii) Exhibit E if the Lease or the Lease and the related Financing, as the case may be, is being commenced pursuant to an Advance Pricing Agreement executed pursuant to Section 2.B. Lessee agrees (y) to inspect all Equipment as soon as reasonably practicable after the delivery thereof to Lessee or, if acceptance requirements for such Equipment or any related Financed Items are specified in the applicable Purchase Documents, as soon as reasonably practicable after being advised by the Supplier that such requirements have been met, and (z) to complete, execute and deliver to Lessor such Acceptance Certificate as soon as reasonably practicable after its satisfactory completion of such inspection. In the case of a Financing of Financed Items unrelated to any Equipment subject to a Lease, Lessee shall unconditionally and irrevocably accept such Financed Items as soon as it shall have become liable to pay for such Financed Items, and shall complete, execute and deliver to Lessor an Acceptance Certificate in substantially the form of Exhibit D or Exhibit E (as applicable) as soon as reasonably practicable thereafter.

(b) E-MAIL ACCEPTANCE. For its convenience and at its option, Lessee may accept Equipment and Financed Items by electronic mail in accordance with this paragraph, in lieu of the execution and physical delivery of Acceptance Certificates provided for in paragraph (a) above. Subject to the terms and conditions set forth below, a Valid E-mail Acceptance Certificate shall constitute an original and authentic written Acceptance Certificate, duly executed and delivered by an authorized representative of Lessee. A "Valid E-mail Acceptance Certificate" means an electronic facsimile of an Acceptance Certificate in substantially the form of Exhibit D or Exhibit E (as applicable) properly completed and sent by an Authorized Lessee Representative from his or her Authorized Lessee E-mail Address to an Authorized Lessor E-mail Address by an electronic mail message confirming Lessee's acceptance of the Equipment or Financed Items described therein. Upon request, Lessor shall provide to Lessee electronic file copies of Exhibits D and E for Lessee's use under this paragraph. The Authorized Lessee Representatives and their corresponding Authorized Lessee E-mail Addresses and the Lessee Acceptance Confirmation Fax Number are as specified in Section 29 or as designated by Lessee in a written notice executed by a duly authorized officer of Lessee and delivered to Lessor in accordance with Section 29. The Authorized Lessor E-mail Address(es) are specified in Section 29. Lessee may unilaterally modify any of the Authorized Lessee Representatives and Authorized Lessee E-mail Addresses and the Lessee Acceptance Confirmation Fax Number by written notice of the modification executed by a duly authorized officer of Lessee and delivered to Lessor in accordance with Section 29. Lessor may unilaterally modify any Authorized Lessor E-mail Address by written notice of the modification executed by a duly authorized officer of Lessor and delivered to Lessee in accordance with Section 29. Upon Lessor's receipt of a Valid E-mail Acceptance Certificate from Lessee, Lessor shall transmit to Lessee by confirmed facsimile transmission to the Lessee Acceptance Confirmation Fax Number, a notice acknowledging Lessor's receipt of the Valid E-mail Acceptance Certificate from Lessee. A Valid E-mail Acceptance Certificate shall become effective and constitute Lessee's unconditional and irrevocable acceptance of the Equipment or Financed Items described therein, as of the Acceptance Date specified therein, at the end of the second business day following the day on which Lessor shall have transmitted such notice unless Lessee shall have delivered a written notice to Lessor in accordance with Section 29 revoking such Valid E-mail Acceptance Certificate prior to the end of such second business day. Lessor's transmission of such

notice shall constitute Lessor's acknowledgement and acceptance of the Valid E-mail Acceptance Certificate. Lessee expressly waives any claim or defense that any Valid E-mail Acceptance Certificate which was sent and became effective in accordance with the above procedures does not constitute an original and authentic written Acceptance Certificate, duly executed and delivered by Lessee.

4. LESSEE'S END-OF-LEASE-TERM OPTIONS; AUTOMATIC EXTENSION. Lessee shall have the following options in respect of each Lease at the end of each of the Initial Term, any Renewal Term and any optional extension of the Initial Term or any Renewal Term:

A. PURCHASE OPTION. Lessee may elect, by delivering to Lessor an End-of-Term Notice at least 90 days prior to the expiration of the Initial Term, any Renewal Term or any optional extension of the Initial Term or any Renewal Term, to purchase any or all Units of Equipment then subject to such Lease (other than items of Software that may not be sold by Lessor under the terms of any applicable License Agreement) for an amount equal to the Fair Market Value of such Units of Equipment as of the end of the Then Applicable Term, provided no Lessee Default shall have occurred and be continuing. In the event of such an election, Lessee shall pay such amount to Lessor, in immediately available funds, on or before the last day of the Then Applicable Term. If Lessee shall have so elected to purchase any of the Units of Equipment, shall have so paid the applicable purchase price and shall have fulfilled the terms and conditions of this Master Agreement, then on the last day of the Then Applicable Term (i) the Lease with respect to such Units of Equipment shall terminate and, except as provided in Section 27, Lessee shall be relieved of all of its obligations in favor of Lessor with respect to such Units of Equipment, and (ii) Lessor shall transfer all of its interest in such Units of Equipment to Lessee "AS IS, WHERE IS," without any warranty, express or implied, from Lessor, other than the absence of any liens or claims by or through Lessor. In the event Lessor and Lessee are unable to agree on the Fair Market Value of any Units of Equipment, Lessor shall, at Lessee's expense, select an independent appraiser to conclusively determine such amount.

B. RENEWAL OPTION. Lessee may elect, by delivering to Lessor an End-of-Term Notice at least 90 days prior to the expiration of the Initial Term, any Renewal Term, or any optional extension of the Initial Term or any Renewal Term, to renew the Lease with respect to any or all Units of Equipment then subject to such Lease (other than items of Software that may not be re-released by Lessor under the terms of any applicable License Agreement) for an amount equal to the Fair Rental Value of such Units of Equipment as of the end of the Then Applicable Term. In the event of such an election, Lessee shall enter into a mutually agreeable renewal agreement with Lessor ("Renewal Agreement") on or before the last day of the Then Applicable Term confirming the Units of Equipment as to which the Lease is to be renewed, the period for which the Lease is to be renewed (the "Renewal Term"), and the amount of Rent and the times at which such Rent is to be payable during the Renewal Term. In the event Lessor and Lessee are unable to agree on the Fair Rental Value of any Units of Equipment, Lessor shall, at Lessee's expense, select an independent appraiser to conclusively determine such amount.

C. RETURN. Lessee may elect, by delivering to Lessor an End-of-Term Notice at least 90 days prior to the expiration of the Initial Term, any Renewal Term or any optional extension of the Initial Term or any Renewal Term, to return any or all of the Units of Equipment then subject to such Lease in accordance with Section 9 of this Master Agreement.

D. OPTIONAL EXTENSION. Lessee may elect, by omitting to deliver to Lessor an End-of-Term Notice at least 90 days prior to the expiration of the Initial Term or any Renewal Term, to extend the Initial Term or such Renewal Term, as the case may be. In that event, the Initial Term or such Renewal Term shall, without any additional notice or documentation, be automatically extended for successive calendar months with respect to all items of Equipment then subject to such Lease through the end of the calendar month falling at least 90 days after the date Lessee shall have delivered to Lessor an End-of-Term Notice with respect to such Lease. For each

calendar month that the Then Applicable Term of such Lease is so extended, Lessee shall pay to Lessor Rent in an amount equal to the monthly Rent payment in effect immediately prior to such extension (or the appropriate pro rata portion of the Rent payment then in effect in the case of Rent payable other than on a monthly basis), and all other provisions of this Master Agreement and the applicable Schedule shall continue to apply.

If Lessee shall have delivered to Lessor an End-of-Term Notice with respect to a Lease, but shall have subsequently failed to comply with its obligations arising from its elections specified therein (E.G., Lessee shall have failed, on or before the last day of the Then Applicable Term (i) to pay Lessor the purchase price for Equipment to be purchased in accordance with Section 4.A above, (ii) to execute a Renewal Agreement with respect to Equipment as to which the Lease is to be renewed in accordance with Section 4.B above, or (iii) to return to Lessor Equipment to be returned in accordance with Section 4.C above), then the Then Applicable Term of such Lease shall, without any additional notice or documentation, be automatically extended for successive calendar months with respect to all items of Equipment as to which Lessee shall have so failed to comply with its obligations through the end of the calendar month in which Lessee shall have complied with such obligations. For each calendar month that the Then Applicable Term of any Lease is so extended, Lessee shall pay to Lessor Rent in an amount equal to the monthly Rent payment in effect immediately prior to such extension (or the appropriate pro rata portion of the Rent payment then in effect in the case of Rent payable other than on a monthly basis), and all other provisions of this Master Agreement and the applicable Schedule shall continue to apply. Notwithstanding any of the provisions of this Section 4 to the contrary, if any Lessee Default shall have occurred and be continuing at any time during the last 90 days of the Then Applicable Term of any Lease, Lessor may cancel any Renewal Term or optional or other automatic extension of the Then Applicable Term immediately upon written notice to Lessee.

5. RENT; LATE CHARGES; ADVANCE RENT. As rent ("Rent") for the Equipment under any Lease and the Financed Items under any Financing, Lessee agrees to pay the amounts specified in the applicable Schedule on the due dates specified in the applicable Schedule. Lessee agrees to pay Lessor interest on any Rent payment or other amount due hereunder that is not paid within 10 days of its due date, at the rate of 1-1/2% per month (or such lesser rate as is the maximum rate allowable under applicable law). Lessee shall pay to Lessor, with respect to each Lease or Financing, the Advance Rent specified on the applicable Schedule, if any. Any payment of Advance Rent shall be credited against the first Rent payment payable by Lessee under the applicable Schedule and any excess Advance Rent will be credited against the last Rent payment(s) payable by Lessee with respect to the Initial Term of the applicable Lease or Financing. Advance Rent shall be refunded to Lessee without interest only if Lessor declines to sign the applicable Schedule.

6. LEASES AND FINANCINGS NON-CANCELABLE; NET LEASES; WAIVER OF DEFENSES TO PAYMENT. IT IS SPECIFICALLY UNDERSTOOD AND AGREED THAT EACH LEASE AND FINANCING HEREUNDER SHALL BE NON-CANCELABLE, AND THAT EACH LEASE HEREUNDER IS A NET LEASE. LESSEE AGREES THAT IT HAS AN ABSOLUTE AND UNCONDITIONAL OBLIGATION TO PAY ALL RENT AND OTHER AMOUNTS WHEN DUE. LESSEE IS NOT ENTITLED TO ABATE OR REDUCE RENT OR ANY OTHER AMOUNT DUE, OR TO SET OFF ANY CHARGE AGAINST ANY SUCH AMOUNT. LESSEE HEREBY WAIVES ANY RECOUPMENT, CROSS-CLAIM, COUNTERCLAIM OR ANY OTHER DEFENSE AT LAW OR IN EQUITY TO ANY RENT PAYMENT OR OTHER AMOUNT DUE WITH RESPECT TO ANY LEASE OR FINANCING, WHETHER ANY SUCH DEFENSE ARISES OUT OF THIS MASTER AGREEMENT, ANY SCHEDULE, ANY CLAIM BY LESSEE AGAINST LESSOR, LESSOR'S ASSIGNEES OR SUPPLIER, OR OTHERWISE. IF THE EQUIPMENT OR ANY FINANCED ITEM IS NOT PROPERLY INSTALLED, DOES NOT OPERATE OR INTEGRATE AS REPRESENTED OR WARRANTED BY SUPPLIER OR IS UNSATISFACTORY FOR ANY REASON WHATSOEVER, LESSEE SHALL MAKE ANY CLAIM ON ACCOUNT THEREOF SOLELY AGAINST SUPPLIER AND SHALL NEVERTHELESS PAY ALL SUMS DUE WITH RESPECT TO EACH LEASE AND EACH FINANCING.

7. ASSIGNMENT OF PURCHASE DOCUMENTS. Lessee assigns to Lessor all of Lessee's right, title and interest in and to (a) the Equipment described in each Schedule, and (b) the Purchase Documents relating to such Equipment. Such assignment of the Purchase Documents is an assignment of rights only; nothing in this Master Agreement shall be deemed to have relieved Lessee of any obligation or liability under any of the Purchase Documents, except that, as between Lessee and Lessor, Lessor shall pay for the Equipment within 30 days after Lessee's delivery to Lessor of a properly completed and executed Acceptance Certificate and all other documentation necessary to establish Lessee's acceptance of such Equipment under the related Lease. Lessee represents and warrants that it has reviewed and approved the Purchase Documents. In addition, if Lessor shall so request, Lessee shall deliver to Lessor a document acceptable to Lessor whereby Seller acknowledges and provides any required consent to such assignment. For the avoidance of doubt, Lessee covenants and agrees that it shall at all times during the Total Term of each Lease comply in all respects with the terms of any License Agreement relating to any Equipment leased thereunder. IT IS ALSO SPECIFICALLY UNDERSTOOD AND AGREED THAT NEITHER SUPPLIER NOR ANY SALESPERSON OF SUPPLIER IS AN AGENT OF LESSOR, NOR ARE THEY AUTHORIZED TO WAIVE OR ALTER ANY TERMS OF THIS MASTER AGREEMENT OR ANY SCHEDULE.

8. ASSIGNMENT OF SUPPLIER WARRANTIES. To the extent permitted, Lessor hereby assigns to Lessee, for the Total Term of any Lease, all Equipment warranties provided by any Supplier in the applicable Purchase Documents. Lessee shall have the right to take any action it deems appropriate to enforce such warranties provided such enforcement is pursued in Lessee's name and at its expense. In the event Lessee is precluded from enforcing any such warranty in its name, Lessor shall, upon Lessee's request, take reasonable steps to enforce such warranty. In such circumstances, Lessee shall, promptly upon demand, reimburse Lessor for all out-of-pocket expenses incurred by Lessor in enforcing the Supplier warranty. Any recovery resulting from any such enforcement efforts shall be divided among Lessor and Lessee as their interests may appear.

9. EQUIPMENT RETURN REQUIREMENTS. On or before the last day of the Total Term of each Lease (and any other time Lessee is required to return Equipment to Lessor under the terms of this Master Agreement or any Schedule), Lessee shall pack the Equipment to be returned to Lessor in accordance with the manufacturer's

guidelines and deliver such Equipment to Lessor at any destination within the continental United States designated by Lessor. In the case of any item of Software to be returned to Lessor, Lessee shall also deliver to Lessor the original Certificate of Authenticity issued by the licensor of such Software, if any. Alternatively, Lessee may deliver any such Certificate of Authenticity to Lessor on or at any time after the Acceptance Date for such Software. All dismantling, packaging, transportation, in-transit insurance and shipping charges shall be borne by Lessee. All Equipment shall be returned to Lessor in the same condition and working order as when delivered to Lessee, reasonable wear and tear excepted, and shall qualify for maintenance service by the Supplier at its then standard rates for Equipment of that age, if available. Lessee shall be responsible for, and shall reimburse Lessor promptly on demand for, any cost incurred by Lessor to qualify the Equipment for the Supplier's maintenance service or, if not available, to return the Equipment to good working condition.

10. EQUIPMENT USE AND MAINTENANCE. Lessee is solely responsible for the selection, installation, operation and maintenance of the Equipment and all costs related thereto, including shipping charges. Lessee shall at all times operate and maintain the Equipment in good working order, repair, condition and appearance, and in accordance with the manufacturer's specifications and recommendations. On reasonable prior notice to Lessee, Lessor and Lessor's agents shall have the right, during Lessee's normal business hours, to enter the premises where the Equipment is located for the purpose of inspecting the Equipment and observing its use. If Lessor shall have provided to Lessee any tags or identifying labels, Lessee shall, at its expense, affix and maintain in a prominent position on each item of Equipment such tags or labels to indicate Lessor's ownership of the Equipment. Except in the case of PC Equipment and Software, Lessee shall, at its expense, enter into and maintain and enforce at all times during the Total Term of each Lease a maintenance agreement to service and maintain the related Equipment, upon terms and with a provider reasonably acceptable to Lessor.

11. EQUIPMENT OWNERSHIP; LIENS; LOCATION. As between Lessor and Lessee, Lessor is the sole owner of the Equipment and has sole title thereto. Lessee shall not make any representation to any third-party inconsistent with Lessor's sole ownership of the Equipment. Lessee covenants that it will not pledge or encumber the Equipment or Lessor's interest in the Equipment in any manner whatsoever nor create or permit to exist any levy, lien or encumbrance thereof or thereon except those created by or through Lessor. The Equipment shall remain Lessor's personal property whether or not affixed to realty and shall not become a fixture or be made to become a part of any real property on which it is placed without Lessor's prior written consent. Lessee shall maintain the Equipment so that it may be removed from any building in which it is placed without any damage to the building or the Equipment. Lessee may relocate any Equipment from the Equipment Location

specified in the applicable Schedule to another of its business locations within the United States upon prior written notice to Lessor specifying the new Equipment Location, provided Lessee remains in possession and control of the Equipment.

12. ALTERATIONS AND ADDITIONS TO EQUIPMENT. Lessee shall make no alterations or additions to the Equipment, except those that (a) will not void any warranty made by the Supplier of the Equipment, result in the creation of any security interest, lien or encumbrance on the Equipment or impair the value or use of the Equipment either at the time made or at the end of the Total Term of the applicable Lease, and that are readily removable without damage to the Equipment ("Optional Additions"), or (b) are required by any applicable law, regulation or order. All additions to the Equipment or repairs made to the Equipment, except Optional Additions, become a part thereof and Lessor's property at the time made; Optional Additions which have not been removed prior to the return of the Equipment shall become Lessor's property upon such return.

13. INSURANCE. Lessee agrees to keep the Equipment insured at Lessee's expense against all risks of loss from any cause whatsoever, including without limitation, theft and damage. Lessee agrees that such insurance shall name Lessor as a loss payee and cover not less than the Stipulated Loss Value of the Equipment. Lessee also agrees that it shall carry commercial general liability insurance in an amount not less than \$2,000,000 total liability per occurrence and cause Lessor and its affiliates to be named additional insureds under such insurance. Each policy shall provide that the insurance cannot be canceled without at least 30 days prior written notice to Lessor. Lessee shall provide to Lessor (a) on or prior to the Acceptance Date for each Lease, and from time to time thereafter, certificates of insurance evidencing such insurance coverage throughout the Total Term of each Lease, and (b) upon Lessor's request, copies of the insurance policies. If Lessee fails to provide Lessor with such evidence, then Lessor will have the right, but not the obligation, to purchase such insurance protecting Lessor at Lessee's expense. Lessee's expense shall include the full premium paid for such insurance and any customary charges, costs or fees of Lessor. Lessee agrees to pay such amounts in substantially equal installments allocated to each Rent payment (plus interest on such amounts at the rate of 1-1/2% per month or such lesser rate as is the maximum rate allowable under applicable law).

14. RISK OF LOSS. In the event any Casualty Loss shall occur, on the next Rent payment date Lessee shall, at its option (a) pay Lessor the Stipulated Loss Value of the Equipment suffering the Casualty Loss, or (b) substitute and replace each item of Equipment suffering the Casualty Loss with an item of Substitute Equipment. If Lessee shall elect to pay the Stipulated Loss Value of the Equipment suffering a Casualty Loss, upon Lessor's receipt in full of such payment the applicable Lease shall terminate as it relates to such Equipment and, except as provided in Section 27, Lessee shall be relieved of all obligations under the applicable Lease as it relates to such Equipment. If Lessee shall elect to replace Equipment suffering a Casualty Loss with items of Substitute Equipment (i) the applicable Lease shall continue in full force and effect without any abatement of Rent with such Substitute Equipment thereafter being deemed to be Equipment leased thereunder, and (ii) Lessee shall deliver to Lessor a bill of sale or other documentation, in either case in form and substance satisfactory to Lessor, in which Lessee shall represent and warrant that it has transferred to Lessor good and marketable title to all Substitute Equipment, free and clear of all liens, encumbrances and claims of others. Upon Lessor's receipt of such payment of Stipulated Loss Value in full, or such bill of sale or other documentation, as the case may be, Lessor shall transfer to Lessee all of Lessor's interest in the Equipment suffering the Casualty Loss "AS IS, WHERE IS," without any warranty, express or implied, from Lessor, other than the absence of any liens or claims by or through Lessor. In the event of any repairable damage to any Equipment, the Lease shall continue with respect to such Equipment without any abatement of Rent and Lessee shall at its expense promptly cause such Equipment to be repaired to the condition it is required to be maintained in pursuant to Section 10. Lessee shall notify Lessor of any Casualty Loss or repairable damage to any Equipment as soon as reasonably practicable after the date of any such occurrence.

15. TAXES. Lessor shall report and pay all Taxes now or hereafter imposed or assessed by governmental body, agency or taxing authority upon the purchase, ownership, delivery, installation, leasing, rental, use or sale of the Equipment, the Rent or other charges payable hereunder, or otherwise upon or in connection with any Lease or Financing, whether assessed on Lessor or Lessee, other than any such Taxes required by law to be reported and paid by Lessee. Lessee shall promptly reimburse Lessor for all such Taxes paid by Lessor, together with any penalties or interest in connection therewith attributable to Lessee's acts or failure to act, excluding (a) Taxes on or measured by the overall gross or net income or items of tax preference of Lessor, (b) as to any Lease or the related Equipment, Taxes attributable to the period after the return of such Equipment to Lessor, and (c) Taxes imposed as a result of a sale or other transfer by Lessor of any portion of its interest in any Lease or Financing or in any Equipment except for a sale or other transfer to Lessee or a sale or other transfer occurring after and during the continuance of any Lessee Default.

16. GENERAL INDEMNITY. Lessee shall indemnify and hold harmless Lessor, its employees, officers, directors, agents and assignees and, if requested by Lessor, defend Lessor, its employees, officers, directors, agents and assignees, from and against any and all Claims arising directly or indirectly out of or in connection with any matter involving this Master Agreement, the Equipment or any Lease or Financing, including but not limited to (a) the selection, manufacture, purchase, acceptance, rejection, ownership, delivery, lease, financing, possession, maintenance, use, condition, return or operation of any Equipment or Financed Items or the enforcement of Lessor's rights under any Lease or Financing; (b) any latent defect or other defect in any Equipment or Financed Item, whether or not discoverable by Lessor or by Lessee; (c) any patent, trademark or copyright infringement involving any Equipment or Financed Item; (d) the condition of any Equipment or Financed Item arising or existing at any

time during the Total Term of any Lease or the Term of any Financing; and (e) any breach by Lessee of any representation, warranty or covenant contained in any Fundamental Agreement. Notwithstanding the foregoing, Lessee shall have no obligation to indemnify or defend against any Claim arising solely as a result of Lessor's gross negligence or willful misconduct.

17. TAX BENEFIT INDEMNITY. Each Lease is entered into on the assumption that Lessor is the owner of the Equipment for tax purposes and is entitled to certain federal and state tax benefits available to an owner of Equipment (collectively, "Tax Benefits"), including without limitation, accelerated cost recovery system deductions for 5-year property and deductions for interest incurred by Lessor to finance the purchase of Equipment available under the Code. Lessee represents, warrants and covenants to Lessor that (a) Lessee is not a tax-exempt entity (as defined in Section 168(h) of the Code), (b) all Equipment will be used solely within the United States, and (c) Lessee will take no position inconsistent with the assumption that Lessor is the owner of the Equipment for federal and state tax purposes. If, due to any act or omission of Lessee or any party acting through Lessee, or the breach or inaccuracy of any representation, warranty or covenant of Lessee contained in any Fundamental Agreement, Lessor reasonably determines that it cannot claim, is not allowed to claim, loses or must recapture any or all of the Tax Benefits otherwise available with respect to the Equipment subject to any Lease (a "Tax Loss"), then Lessee shall, promptly upon demand, pay to Lessor an amount sufficient to provide Lessor the same after-tax rate of return and aggregate after-tax cash flow through the end of the Then Applicable Term of such Lease that Lessor would have realized but for such Tax Loss.

18. COVENANT OF QUIET ENJOYMENT. So long as no Lessee Default exists, and no event shall have occurred and be continuing which, with the giving of notice or the passage of time or both, would constitute a Lessee Default, neither Lessor nor any party acting or claiming through Lessor, by assignment or otherwise, will disturb Lessee's quiet enjoyment of the Equipment during the Total Term of the related Lease.

19. DISCLAIMERS AND LESSEE WAIVERS. LESSEE LEASES THE EQUIPMENT FROM LESSOR "AS IS, WHERE IS". IT IS SPECIFICALLY UNDERSTOOD AND AGREED THAT (A) EXCEPT AS EXPRESSLY SET FORTH IN SECTION 18, LESSOR MAKES ABSOLUTELY NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, QUALITY, OPERATION, OR CONDITION OF ANY EQUIPMENT OR FINANCED ITEMS (OR ANY PART THEREOF), THE MERCHANTABILITY OR FITNESS OF EQUIPMENT OR FINANCED ITEMS FOR A PARTICULAR PURPOSE, OR ISSUES REGARDING PATENT INFRINGEMENT, TITLE AND THE LIKE; (B) LESSOR SHALL NOT BE DEEMED TO HAVE MADE, BE BOUND BY OR LIABLE FOR, ANY REPRESENTATION, WARRANTY OR PROMISE MADE BY THE SUPPLIER OF ANY EQUIPMENT OR FINANCED ITEMS (EVEN IF LESSOR IS AFFILIATED WITH SUCH SUPPLIER); (C) LESSOR SHALL NOT BE LIABLE FOR ANY FAILURE OF ANY EQUIPMENT OR FINANCED ITEMS OR ANY DELAY IN THE DELIVERY OR

INSTALLATION THEREOF; (D) LESSEE HAS SELECTED ALL EQUIPMENT AND FINANCED ITEMS WITHOUT LESSOR'S ASSISTANCE; AND (E) LESSOR IS NOT A MANUFACTURER OF ANY EQUIPMENT. IT IS FURTHER AGREED THAT LESSOR SHALL HAVE NO LIABILITY TO LESSEE, LESSEE'S CUSTOMERS, OR ANY THIRD PARTIES FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS MASTER AGREEMENT OR ANY SCHEDULE OR CONCERNING ANY EQUIPMENT OR FINANCED ITEMS, OR FOR ANY DAMAGES BASED ON STRICT OR ABSOLUTE TORT LIABILITY OR, EXCEPT TO THE EXTENT CONSTITUTING A LESSOR DEFAULT, LESSOR'S NEGLIGENCE; PROVIDED, HOWEVER, THAT NOTHING IN THIS MASTER AGREEMENT SHALL DEPRIVE LESSEE OF ANY RIGHTS IT MAY HAVE AGAINST ANY PERSON OTHER THAN LESSOR. LESSOR AND LESSEE AGREE THAT THE LEASES AND THE FINANCINGS SHALL BE GOVERNED BY THE EXPRESS PROVISIONS OF THIS MASTER AGREEMENT AND THE OTHER FUNDAMENTAL AGREEMENTS AND NOT BY THE CONFLICTING PROVISIONS OF ANY OTHERWISE APPLICABLE LAW. ACCORDINGLY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, LESSEE WAIVES ANY RIGHTS AND REMEDIES CONFERRED UPON A LESSEE BY ARTICLE 2A OF THE UCC (INCLUDING, BUT NOT LIMITED TO, LESSEE'S RIGHTS, CLAIMS AND DEFENSES UNDER UCC SECTIONS 2A-303 AND 2A-508 THROUGH 2A-522) AND THOSE RIGHTS NOW OR HEREAFTER CONFERRED BY STATUTE OR OTHERWISE, IN EITHER CASE THAT ARE INCONSISTENT WITH OR THAT WOULD LIMIT OR MODIFY LESSOR'S RIGHTS SET FORTH IN THIS MASTER AGREEMENT.

20. LESSEE WARRANTIES. Lessee represents, warrants and covenants to Lessor that: (a) ALL EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES; (b) Lessee is duly organized, validly existing and in good standing under applicable law; (c) Lessee has the power and authority to enter into each of the Fundamental Agreements; (d) all Fundamental Agreements are enforceable against Lessee in accordance with their terms and do not violate or create a default under any instrument or agreement binding on Lessee; (e) there are no pending or threatened actions or proceedings before any court or administrative agency that could have a material adverse effect on Lessee or any Fundamental Agreement, unless such actions are disclosed to Lessor and consented to in writing by Lessor; (f) Lessee shall comply in all material respects with all laws and regulations the violation of which could have a material adverse effect upon the Equipment or Lessee's performance of its obligations under any Fundamental Agreement; (g) each Fundamental Agreement shall be effective against all creditors of Lessee under applicable law, including fraudulent conveyance and bulk transfer laws, and shall raise no presumption of fraud; and (h) all financial statements and other related information furnished by Lessee shall be prepared in accordance with generally accepted accounting principles and shall fairly present Lessee's financial position as of the dates given on such statements.

21. DEFAULT. Any of the following shall constitute a default by Lessee (a "Lessee Default") under this Master Agreement and all Leases and Financings: (a) Lessee fails to pay any Rent payment or any other amount payable to Lessor under this Master Agreement or any Schedule within 10 days after its due date; or (b) Lessee defaults on or breaches any of the other terms and conditions of any Material Agreement, and fails to cure such breach within 15 days after written notice thereof from Lessor; or (c) any representation or warranty made by Lessee in any Material Agreement proves to be incorrect in any material respect when made or reaffirmed; or (d) Lessee or Guarantor sells or otherwise disposes of all or substantially all of its assets, consolidates with or merges with or into any entity or incurs a substantial amount of indebtedness other than in the ordinary course of its business (unless consented to in advance by Lessor, which consent shall not be unreasonably withheld or delayed if Lessor determines that the criteria upon which the Lessor had originally approved Lessee for leasing would not be adversely changed as a result of the proposed merger or sale of substantially all of its assets); or (e) Lessee or Guarantor dissolves or otherwise terminates its existence, ceases to do business, or becomes insolvent or fails generally to pay its debts as they become due; or (f) any Equipment is levied against, seized or attached; or (g) Lessee or Guarantor makes an assignment for the benefit of creditors; or (h) a proceeding under any bankruptcy, reorganization, arrangement of debt, insolvency or receivership law is filed by or against Lessee or Guarantor (and, if such proceeding is involuntary, it is not dismissed within 60 days after the filing thereof) or Lessee or Guarantor takes any action to authorize any of the foregoing matters; or (i) any letter of credit or guaranty issued in support of a Lease or Financing is revoked, breached, cancelled or terminated (unless consented to in advance by Lessor); or (j) any Guarantor fails to fulfil its obligations in favor of Lessor pursuant to its guaranty.

Any of the following shall constitute a default by Lessor (a "Lessor Default") under this Master Agreement and (i) the applicable Lease(s) or Financing(s) in the case of a Lessor Default described in clauses (w) or (x) below, or (ii) all Leases and Financings in the case of a Lessor Default described in clauses (y) or (z) below: (w) Lessor breaches its covenant of quiet enjoyment set forth in Section 18 and fails or is unable to cure such breach within 10 days after written notice thereof from Lessee; or (x) Lessor fails to pay Seller (or in the case of Financed Items, Lessee or such other party as Lessee or Seller shall have directed in writing) for any Equipment or Financed Items within 30 days after Lessor's receipt of a properly completed and executed Acceptance Certificate and all other documentation necessary to establish Lessee's acceptance of such Equipment or Financed Items under a Lease or Financing, respectively, and such failure continues for more than 10 days after written notice thereof from Lessee; or (y) Lessor makes an assignment for the benefit of creditors; or (z) a proceeding under any bankruptcy, reorganization, arrangement of debt, insolvency or receivership law is filed by or against Lessor (and, if such proceeding is involuntary, it is not dismissed within 60 days after the filing thereof).

22. REMEDIES. If a Lessee Default occurs, Lessor may, in its sole discretion, exercise one or more of the following remedies: (a) declare all amounts due and to become due under any or all Leases and Financings to be immediately due and payable; or (b) terminate this Master Agreement or any Lease or Financing; or (c) take possession of, or render unusable, any Equipment wherever the Equipment may be located, without demand or notice and without any court order or other process of law in accordance with Lessee's reasonable security procedures, and no such action shall constitute a termination of any Lease; or (d) require Lessee to deliver the Equipment to a location specified by Lessor; or (e)

declare the Stipulated Loss Value for any or all Equipment to be due and payable as liquidated damages for loss of a bargain and not as a penalty and in lieu of any further Rent payments under the applicable Lease or Leases; or (f) proceed by court action to enforce performance by Lessee of any Lease or Financing and/or to recover all damages and expenses incurred by Lessor by reason of any Lessee Default; or (g) terminate any other agreement that Lessor may have with Lessee; or (h) exercise any other right or remedy available to Lessor at law or in equity. Also, Lessee shall pay Lessor all costs and expenses that Lessor may incur to maintain, safeguard or preserve the Equipment, and other expenses incurred by Lessor in enforcing any of the terms, conditions or provisions of this Master Agreement (including reasonable legal fees and collection agency costs). Upon repossession or surrender of any Equipment, Lessor shall lease, sell or otherwise dispose of the Equipment in a commercially reasonable manner, with or without notice and at public or private sale, and apply the net proceeds thereof to the amounts owed to Lessor hereunder, but only after deducting (i) in the case of a sale, the estimated Fair Market Value of the Equipment sold as of the scheduled expiration of the Then Applicable Term of the related Lease, (ii) in the case of a lease, the rent due for any period beyond the scheduled expiration of the Then Applicable Term of the related Lease, and (iii) in either case, all expenses (including reasonable legal fees and costs) reasonably incurred by Lessor in connection therewith; provided, however, that Lessee shall remain liable to Lessor for any deficiency that remains after any sale or lease of such Equipment. Any proceeds of any sale or lease of such Equipment in excess of the amounts owed to Lessor hereunder shall be retained by Lessor. Lessee agrees that with respect to any notice of a sale required by law to be given, 10 days' notice shall constitute reasonable notice. Upon payment of all past due Rent and the Stipulated Loss Value as provided in clause (e) above, together with interest at the rate of 1-1/2% per month (or such lesser rate as is the maximum rate allowable under applicable law) from the date declared due until paid, Lessor will transfer to Lessee all of Lessor's interest in the Equipment for which such Rent and Stipulated Loss Value has been paid, which transfer shall be on an "AS IS, WHERE IS" basis, without any warranty, express or implied, from Lessor, other than the absence of any liens or claims by or through Lessor. These remedies are cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time, provided, however, that the intent of the cumulative remedy hereunder is to make Lessor whole, as if no Lessee Default had occurred, and not to penalize Lessee with duplicative or multiple remedies.

If a Lessor Default occurs, Lessee's sole and exclusive remedy shall be to recover by appropriate legal proceedings any direct damages suffered by Lessee as a result of such Lessor Default and any reasonable and necessary expenses (including, without limitation, court costs and reasonable legal fees) incurred by Lessee in connection therewith.

23. PERFORMANCE OF LESSEE'S OBLIGATIONS. If Lessee fails to perform any of its obligations hereunder, Lessor may perform any act or make any payment that Lessor deems reasonably necessary for the maintenance and preservation of the Equipment and Lessor's interests therein; provided, however, that the performance of any act or payment by Lessor shall not be deemed a waiver of, or release Lessee from, the obligation at issue. All sums so paid by Lessor, together with expenses (including legal fees and costs) incurred by Lessor in connection therewith, shall be paid to Lessor by Lessee immediately upon demand.

24. TRUE LEASE; SECURITY INTEREST; MAXIMUM RATE. Each Lease is intended to be a "Finance Lease" as defined in Article 2A of the UCC, and Lessee hereby authorizes Lessor to file a financing statement to give public notice of Lessor's ownership of the Equipment. Lessee, by its execution of each Schedule, acknowledges that Lessor has informed it that (a) the identity of Seller is set forth in the applicable Schedule, (b) Lessee is entitled under Article 2A to the promises and warranties, including those of any third party, provided to Lessor in connection with, or as a part of, the applicable Purchase Documents, and (c) Lessee may communicate with Seller and receive an accurate and complete statement of the promises and warranties, including any disclaimers and limitations of them or of remedies. If (i) notwithstanding the express intention of Lessor and Lessee to enter into a true lease, any Lease is ever deemed by a court of competent jurisdiction to be a lease intended for security, or (ii) Lessor and Lessee enter into a Lease with the intention that it be treated as a lease intended as security by so providing in the applicable Schedule, or (iii) Lessor and Lessee enter into a Financing, then to secure payment and performance of Lessee's obligations under this Master Agreement and all Leases and Financings, Lessee hereby grants Lessor a purchase money security interest in the related Equipment and Financed Items and in all attachments, accessories, additions, substitutions, products, replacements, rentals and proceeds (including, without limitation, insurance proceeds) thereto as well as a security interest in any other equipment financed pursuant to this Master Agreement or any other agreement between Lessor and Lessee (collectively, the "Collateral"). In any such event, notwithstanding any provisions contained in this Master Agreement or in any Schedule, neither Lessor nor any Assignee shall be entitled to receive, collect or apply as interest any amount in excess of the maximum rate or amount permitted by applicable law. In the event Lessor or any Assignee ever receives, collects or applies as interest any amount in excess of the maximum amount permitted by applicable law, such excess amount shall be applied to the unpaid principal balance and any remaining excess shall be refunded to Lessee. In determining whether the interest paid or payable under any specific contingency exceeds the maximum rate or amount permitted by applicable law, Lessor and Lessee shall, to the maximum extent permitted under applicable law, characterize any non-principal payment as an expense or fee rather than as interest, exclude voluntary prepayments and the effect thereof, and spread the total amount of interest over the entire term of this Master Agreement and all Leases and Financings.

25. ASSIGNMENT. Lessor shall have the unqualified right to sell, assign, pledge, transfer, mortgage or otherwise convey any part of its interest in this Master Agreement, any Schedule or any Equipment, in whole or in part, without prior notice to or the consent of Lessee. If any Lease is assigned, Lessee shall (a) unless otherwise specified by Lessor and the Assignee, pay all amounts due under the applicable Schedule to such Assignee, notwithstanding any defense, setoff or counterclaim whatsoever that Lessee may have against Lessor or Assignee; (b) not permit the applicable Schedule to be amended or the terms thereof waived without the prior written consent of the Assignee; (c) not require the Assignee to perform any obligations of Lessor, other than those that are expressly assumed in writing by such Assignee provided, however that Lessor will retain all such obligations not expressly assumed in writing by Assignee and shall use its reasonable best efforts to service and administer the Schedule so as to preserve the rights of Lessee under Section 18; and (d) execute such acknowledgments thereto as may be requested by Lessor or the Assignee. It is further agreed that (i) each Assignee shall be entitled to all of Lessor's rights, powers and privileges under the applicable Lease or Financing, to the extent assigned; (ii) any Assignee may reassign its rights and interests under the applicable Lease or Financing with the same force and effect as the assignment described herein; and (iii) any payments received by the Assignee from Lessee with respect to the assigned portion of the Lease or Financing shall, to the extent thereof, discharge the obligations of Lessee to Lessor with respect to the assigned portion of the Lease or Financing. Lessee acknowledges that any assignment or transfer by Lessor or any Assignee shall not materially change Lessee's obligations under the assigned Lease or Financing.

Upon Lessor's prior written consent, which shall not be unreasonably withheld, Lessee may sublet the Equipment to another end user other than another leasing company or other competitor of Lessor. No such sublease shall relieve Lessee of its obligations under the Lease and Lessee shall be responsible for all costs and expenses associated with such sublease, including, without limitation, additional Taxes or any Tax Loss suffered by Lessor. Lessee may permit use of the Equipment by its affiliates or independent contractors at the Equipment Location provided it does not relinquish possession and control of the Equipment. Lessee may not assign, transfer or otherwise dispose of this Master Agreement, any Lease or Financing, any Equipment or any interest therein except to the extent as provided for in Section 21(d) of this Master Agreement.

26. FURTHER ASSURANCES. Lessee agrees to promptly execute and deliver to Lessor such further documents and take such further action as Lessor may require in order to more effectively carry out the intent and purpose of this Master Agreement and any Schedule. Without limiting the generality of the foregoing, Lessee agrees (a) to furnish to Lessor from time to time, its certified financial statements, officer's certificates and appropriate resolutions, opinions of counsel and such other information and documents as Lessor may reasonably request, and (b) to execute and timely deliver to Lessor any financing statements or other documents that Lessor deems necessary to perfect or protect Lessor's security interest in the Collateral or to evidence Lessor's interest in the Equipment. If Lessee fails to execute any document referred to in clause (b) of the preceding sentence, Lessor or Lessor's agent is hereby authorized to sign and file the same as Lessee's agent. It is also agreed that Lessor or Lessor's agent may file as a financing statement, any lease document (or copy thereof, where permitted by law) that Lessor deems appropriate to perfect or protect Lessor's security interest in the Collateral or to evidence Lessor's interest in the Equipment. Upon demand, Lessee will promptly reimburse Lessor for any filing or recordation fees or expenses (including legal fees and costs) incurred by Lessor in perfecting or protecting its interests in the Equipment.

27. TERM OF MASTER AGREEMENT; SURVIVAL. This Master Agreement shall commence and

be effective upon the execution hereof by both parties and shall continue in effect until terminated by either party by 30 days' prior written notice to the other. However, no termination of this Master Agreement pursuant to the preceding sentence shall be effective with respect to any Lease or Financing that commenced prior to such termination until the expiration or termination of such Lease or Financing and the satisfaction by Lessee and Lessor of all of their obligations hereunder with respect thereto. All representations, warranties and covenants made by Lessee and Lessor hereunder shall survive the termination of this Master Agreement and shall remain in full force and effect. All of Lessor's rights, privileges and indemnities under this Master Agreement or any Lease or Financing, to the extent they are fairly attributable to events or conditions occurring or existing on or prior to the expiration or termination of such Lease or Financing, shall survive such expiration or termination and be enforceable by Lessor and Lessor's successors and assigns.

28. WAIVER OF JURY TRIAL. LESSEE AND LESSOR HEREBY EXPRESSLY WAIVE ANY RIGHT TO DEMAND A JURY TRIAL WITH RESPECT TO ANY ACTION OR PROCEEDING INSTITUTED BY LESSOR OR LESSEE IN CONNECTION WITH THIS MASTER AGREEMENT OR ANY FUNDAMENTAL AGREEMENT.

29. NOTICES. All notices, requests, demands, waivers and other communications required or permitted to be given under this Master Agreement or any other Fundamental Agreement shall be in writing and shall be deemed to have been duly given if delivered personally or mailed via certified mail or a nationally recognized overnight courier service, or sent by confirmed facsimile transmission, addressed as follows (or such other address or fax number as either party shall so notify the other):

IF TO LESSOR:

Compaq Financial Services Corporation
420 Mountain Avenue
P.O. Box 6
Murray Hill, New Jersey 07974-0006
Attn: Director of Operations, North America
Fax: (908) 898-4109
Authorized Lessor E-mail Address: electronicacceptance@compaq.com

IF TO LESSEE:

Attn: -----

Fax: -----

Authorized Lessee Representatives and Authorized Lessee E-mail Addresses:

Lessee Acceptance Confirmation Fax Number: -----

30. MISCELLANEOUS.

(A) GOVERNING LAW. THIS MASTER AGREEMENT AND EACH LEASE AND FINANCING SHALL BE GOVERNED BY THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAW PROVISIONS) OF THE STATE OF NEW JERSEY.

(B) CONSENT TO JURISDICTION. Lessor and Lessee consent to the jurisdiction of any local, state or Federal court located within the State of New Jersey, and waive any objection relating to improper venue or forum non conveniens to the conduct of any proceeding in any such court.

(C) CREDIT REVIEW. Lessee consents to a reasonable credit review by Lessor for each Lease and Financing. (D) CAPTIONS AND REFERENCES. The captions contained in this Master Agreement and any Schedule are for convenience only and shall not affect the interpretation of this Master Agreement. All references in this Master Agreement to Sections and Exhibits refer to Sections hereof and Exhibits hereto unless otherwise indicated.

(E) ENTIRE AGREEMENT; AMENDMENTS. This Master Agreement and all other Fundamental Agreements executed by both Lessor and Lessee constitute the entire agreement between Lessor and Lessee relating to the leasing of the Equipment and the financing of Financed Items, and supersede all prior agreements relating thereto, whether written or oral, and may not be amended or modified except in a writing signed by the parties hereto. (F) NO WAIVER. Any failure of Lessor to require strict performance by Lessee, or any written waiver by Lessor of any provision hereof, shall not constitute consent or waiver of any other breach of the same or any other provision hereof.

(G) LESSOR AFFILIATES. Lessee understands and agrees that Compaq Financial Services Corporation or any affiliate or subsidiary thereof may, as lessor, execute Advance Pricing Agreements and Schedules under this Master Agreement, in which event the terms and conditions of the applicable Advance Pricing Agreement or Schedule and this Master Agreement as it relates to the lessor under such Advance Pricing Agreement or Schedule shall be binding upon and shall inure to the benefit of such entity executing such Advance Pricing Agreement or Schedule as lessor, as well as any successors or assigns of such entity.

(H) INVALIDITY. If any provision of this Master Agreement or any Schedule shall be prohibited by or invalid under law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Master Agreement or such Schedule.

(I) COUNTERPARTS. This Master Agreement may be executed in counterparts, which collectively shall constitute one document.

(J) LESSOR RELIANCE. Lessor may act in reliance upon any instruction, instrument or signature reasonably believed by Lessor in good faith to be genuine. Lessor may assume that any employee of Lessee who executes any document or gives any written notice, request or instruction has the authority to do so.

31. DEFINITIONS. All capitalized terms used in this Master Agreement have the meanings set forth below or in the Sections of this Master Agreement referred to below:

"ACCEPTANCE DATE" means, as to any Lease or Financing, the date Lessee shall have accepted the Equipment or Financed Items subject to such Lease or Financing in accordance with Section 3.

"ADVANCE PRICING AGREEMENT" means an Advance Pricing Agreement executed by Lessor and Lessee pursuant to Section 2.B.

"ADVANCE RENT" means, as to any Lease, Rent paid by Lessee in advance of the Acceptance Date for the related Equipment or otherwise intended to be treated as "Advance Rent" under this Master Agreement and the applicable Schedule.

"AMOUNT AVAILABLE" has the meaning specified in an Advance Pricing Agreement.

"ASSIGNEE" means any assignee of all or any portion of Lessor's interest in this Master Agreement, any Schedule or any Equipment, whether such assignee received the assignment of such interest from Lessor or a previous assignee of such interest.

"CASUALTY LOSS" means, with respect to any Equipment, the condemnation, taking, loss, destruction, theft or damage beyond repair of such Equipment.

"CASUALTY VALUE" means, as to any Equipment, an amount determined as of the date of the Casualty Loss or Lessee Default in question pursuant to a "Table of Casualty Values" attached to the applicable Schedule or, if no "Table of Casualty Values" is attached to the applicable Schedule, an amount equal to the sum of (i) the present value as of the date of the Casualty Loss or Lessee Default in question (discounted at 5% per annum, compounded monthly) of all Rent payments payable after such date through the scheduled date of expiration of the Then Applicable Term, plus (ii) the present value as of the date of the Casualty Loss or Lessee Default in question (discounted at 5% per annum, compounded monthly, from the scheduled date of expiration of the Then Applicable Term) of an amount determined by multiplying the applicable casualty percentage specified below by the Total Cost of such Equipment. The applicable casualty percentage shall be 35% for Equipment having an Initial Term of less than 24 months; 30% for Equipment having an Initial Term of 24 months or greater, but less than 36 months; 25% for Equipment having an Initial Term of 36 months or greater, but less than 48 months; and 20% for Equipment having an Initial Term of 48 months or greater.

"CLAIMS" means all claims, actions, suits, proceedings, costs, expenses (including, without limitation, court costs, witness fees and attorneys'

fees), damages, obligations, judgments, orders, penalties, fines, injuries, liabilities and losses, including, without limitation, actions based on Lessor's strict liability in tort.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL" has the meaning specified in Section 24.

"COMMITMENT PERIOD" means the period during which Lessor will purchase Equipment and fund Financed Items and enter into a Lease or Financing of the same with Lessee pursuant to Section 2.B and an Advance Pricing Agreement at the rates set forth in such Advance Pricing Agreement, which period shall be specified in such Advance Pricing Agreement.

"CONSOLIDATING SCHEDULE" has the meaning specified in Section 2.B(d).

"CONSOLIDATION PERIOD" has the meaning specified in an Advance Pricing Agreement.

"DAILY RENT" means, as to any Lease or Financing, an amount equal to the per diem Rent payable under the applicable Schedule (calculated on the basis of a 360 day year and 30 day months).

"END-OF-TERM NOTICE" means, as to any Lease, a written notice delivered by Lessee to Lessor at least 90 days prior to the end of the Initial Term, any Renewal Term or any optional extension of the Initial Term or any Renewal *Term setting forth Lessee's elections pursuant to Section 4 with respect to the Equipment subject to such Lease. Each End-of-Term Notice shall specify with particularity the Units of Equipment to be purchased by Lessee (if any), as to which the Lease is to be renewed (if any) and that are to be returned to Lessor (if any).

"EQUIPMENT LOCATION" means, as to any Equipment, the address at which such Equipment is located from time to time, as originally specified in the applicable Schedule and as subsequently specified in a notice delivered to Lessor pursuant to Section 11, if applicable.

"EQUIPMENT" has the meaning specified in Section 1.

"FAIR MARKET VALUE" means the total price that would be paid for any specified Equipment in an arm's length transaction between an informed and willing buyer (other than a used equipment dealer) under no compulsion to buy and an informed and willing seller under no compulsion to sell. Such total price shall not be reduced by the costs of removing such Equipment from its current location or moving it to a new location.

"FAIR RENTAL VALUE" means the amount of periodic rent that would be payable for any specified Equipment in an arm's length transaction between an informed and willing lessee and an informed and willing lessor, neither under compulsion to lease. Such amount shall not be reduced by the costs of removing such Equipment from its current location or moving it to a new location.

"FINAL INVOICE AMOUNT" has the meaning set forth in Section 2.A (c).

"FINANCED ITEM" has the meaning specified in Section 1.

"FINANCING" has the meaning specified in Section 1.

"FIRST PAYMENT DATE" means, as to any Lease or Financing, the date the first Rent payment with respect to the Initial Term of such Lease or the Term of such Financing (as applicable) is due, as determined pursuant to the terms of the applicable Schedule.

"FUNDAMENTAL AGREEMENTS" means, collectively, this Master Agreement, each Advance Pricing Agreement, each Schedule and Acceptance Certificate and all other related instruments and documents.

"FUNDING DATE" means, with respect to any Financed Item, the date Lessor makes funds available to the Seller of such Financed Item to pay for the same or to Lessee to reimburse Lessee for its payment of the same.

"GUARANTOR" means any guarantor of all or any portion of Lessee's obligations under this Master Agreement or any Lease or Financing.

"HARDWARE" means items of tangible equipment.

"INITIAL TERM" means, as to any Lease, the initial term thereof as specified in the related Schedule.

"LEASE" has the meaning specified in Section 1.

"LESSEE" has the meaning specified in the preamble hereof.

"LESSEE DEFAULT" has the meaning specified in Section 21.

"LESSOR" has the meaning specified in the preamble hereof.

"LESSOR DEFAULT" has the meaning specified in Section 21.

"LICENSE AGREEMENT" means any license agreement or other document granting the purchaser the right to use Software or any technical information, confidential business information or other documentation relating to Hardware or Software, as amended, modified or supplemented by any other agreement between the licensor and Lessor.

"MASTER AGREEMENT" has the meaning specified in the preamble hereof.

"MATERIAL AGREEMENTS" means, collectively, all Fundamental Agreements, all other material agreements by and between Lessor and Lessee, and any application for credit, financial statement, or financial data required to be provided by Lessee in connection with any Lease or Financing.

"OPTIONAL ADDITIONS" has the meaning specified in Section 12.

"PC EQUIPMENT" means, collectively, personal computers (e.g., workstations, desktops and notebooks) and related items of peripheral equipment (e.g., monitors, printers and docking stations).

"PURCHASE DOCUMENTS" means, as to any Equipment, any purchase order, contract, bill of sale, License Agreement, invoice and/or other documents that Lessee has, at any time, approved, agreed to be bound by or entered into with any Supplier of such Equipment relating to the purchase, ownership, use or warranty of such Equipment.

"RENEWAL AGREEMENT" has the meaning specified in Section 4.

"RENEWAL TERM" has the meaning specified in Section 4.

"RENT" has the meaning specified in Section 5.

"SCHEDULE" means, unless the context shall otherwise require (a) in the case of a Lease or Financing commenced pursuant to Section 2.A, a Schedule executed by Lessor and Lessee pursuant to Section 2.A(a), and (b) in the case of a Lease or Financing commenced pursuant to Section 2.B, (i) prior to Lessee's execution and delivery to Lessor of a Consolidating Schedule pursuant to Section 2.B(d) relating to such Lease or Financing, the applicable Certificate of Acceptance together with the applicable Advance Pricing Agreement, and (ii) from and after Lessee's execution and delivery to Lessor of a Consolidating Schedule pursuant to Section 2.B(d) relating to such Lease or Financing, such Consolidating Schedule.

"SELLER" means, as to any Equipment, the seller of such Equipment, and as to any Financed Item, the provider thereof, in either case as specified in the applicable Schedule.

"SOFTWARE" means copies of computer software programs owned or licensed by Lessor.

"STIPULATED LOSS VALUE" means, as to any Equipment, an amount equal to the sum of (i) all Rent and other amounts due and owing with respect to such Equipment as of the date of payment of such amount, plus (ii) the Casualty Value of such Equipment.

"SUBSTITUTE EQUIPMENT" means, as to any item of Hardware or Software subject to a Lease, a substantially equivalent or better item of Hardware or Software having equal or greater capabilities and equal or greater Fair Market Value manufactured or licensed by the same manufacturer or licensor as such item of Hardware or Software subject to a Lease. The determination of whether any item of Equipment is substantially equivalent or better than an item of Equipment subject to a Lease shall be based on all relevant facts and circumstances, but shall minimally require, in the case of a computer, that each of processor, hard-drive, random access memory and CD ROM drive, if applicable, be equivalent or better.

"SUPPLIER" means (a) as to any Equipment, the Seller and the manufacturer or licensor of such Equipment collectively, or where the context requires, any of them, and (b) as to any Financed Item, the Seller thereof.

"SYSTEM SOFTWARE" means an item of Software that is pre-loaded on an item of Hardware purchased by Lessor for lease hereunder for which the relevant Purchase Documents specify no purchase price separate from the aggregate purchase price specified for such items of Hardware and Software.

"TAXES" means all license and registration fees and all taxes, fees, levies, imposts, duties, assessments, charges and withholding of any nature whatsoever, however designated (including, without limitation, any value added, transfer, sales, use, gross receipts, business, occupation, excise, personal property, real property, stamp or other taxes).

"TAX BENEFITS" has the meaning specified in Section 17. "TAX LOSS" has the meaning specified in Section 17.

"TERM" means, as to any Financing, the term thereof as specified in the related Schedule.

"THEN APPLICABLE TERM" means, as to any Lease, the term of the Lease in effect at the time of determination, whether it be the Initial Term, any Renewal Term or any optional or other automatic extension of the Initial Term or any Renewal Term pursuant to Section 4.

"TOTAL COST" means (a) as to any Lease, the total acquisition cost to Lessor of the Equipment subject to such Lease as set forth in the applicable Purchase Documents, including related delivery, installation, taxes and other charges which Lessor has agreed to pay and treat as a portion of such acquisition cost, if any, and (b) as to any Financing, the total amount of the Financed Items

subject to such Financing.

"TOTAL TERM" means, as to any Lease, the aggregate term of such Lease, including the Initial Term, any Renewal Term and any optional or other automatic extension of the Initial Term or any Renewal Term pursuant to Section 4.

"UCC" means the Uniform Commercial Code as enacted and in effect in any applicable jurisdiction.

"UNIT OF EQUIPMENT" means, as to the Equipment leased pursuant to any Schedule (a) each individual item of PC Equipment leased pursuant to such Schedule, and (b) all Equipment leased pursuant to such Schedule other than PC Equipment taken as a whole.

"VALID E-MAIL ACCEPTANCE CERTIFICATE" has the meaning specified in Section 3(b).

32. LESSEE ACKNOWLEDGES THAT NEITHER THIS MASTER AGREEMENT NOR ANY OTHER FUNDAMENTAL AGREEMENT MAY BE AMENDED OR MODIFIED EXCEPT BY A WRITING SIGNED BY LESSOR AND LESSEE. LESSEE INITIALS: TEB.

IN WITNESS WHEREOF, LESSOR AND LESSEE HAVE EXECUTED THIS MASTER AGREEMENT ON THE DATES SPECIFIED BELOW.

LESSOR:

COMPAQ FINANCIAL SERVICES CORPORATION

BY: /S/ LEE D. EBERDING

Lee D. Eberding, Director, Operations

NAME AND TITLE

10/2/00

DATE

LESSEE: LIVEPERSON, INC.

BY: /S/ TIMOTHY E. BIXBY

Timothy E. Bixby, EVP/CFO

NAME AND TITLE

9/27/00

DATE

EXHIBIT A TO MASTER AGREEMENT

COUNTERPART NO. _____ OF _____. TO THE EXTENT THAT THIS SCHEDULE CONSTITUTES CHATTEL PAPER (AS DEFINED ON THE UCC), NO SECURITY INTEREST IN THIS SCHEDULE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

Master Agreement Number _____
Schedule Number _____

MASTER LEASE AND FINANCING AGREEMENT
SCHEDULE

Compaq Financial Services Corporation ("Lessor") and _____ ("Lessee") are parties to the Master Lease and Financing Agreement identified by the Master Agreement Number specified above (the "Master Agreement"). This Schedule (which shall be identified by the Schedule Number specified above) and the Master Agreement together comprise a separate Lease, a separate Financing or a separate Lease and a separate Financing, as the case may be, between the parties. The terms and conditions of the Master Agreement are hereby incorporated by reference into this Schedule. All capitalized terms used in this Schedule without definition have the meanings ascribed to them in the Master Agreement.

1. LEASE.

A. DESCRIPTION OF ITEMS OF LEASED EQUIPMENT TOTAL COST

B. INITIAL TERM: ____ Months (plus the number of days from and including the Acceptance Date through and including the last day of the calendar month or quarter (depending on whether Rent is payable monthly or quarterly as specified in Section 3 below) in which the Acceptance Date occurs).

2. FINANCING.

A. DESCRIPTION OF FINANCED ITEMS TOTAL COST

B. TERM: ____ Months (plus the number of days from and including the Acceptance Date through and including the last day of the calendar month or quarter (depending on whether Rent is payable monthly or quarterly as specified on Section 3 below) in which the Acceptance Date occurs).

3. RENT:

For Lease: _____
For Financing: _____
Total Rent: _____

RENT IS PAYABLE: ____in advance ____in arrears (check one)
____monthly ____quarterly (check one)

Lessee shall pay Lessor (a) on the first day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in advance, or (b) on the last day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in arrears, the Rent payment specified above for the length of the Initial Term in the case of a Lease and for the length of the Term in the case of a Financing. The First Payment Date shall be the first day (if Rent is payable in advance) or the last day (if Rent is payable in arrears) of the month or quarter (as applicable) immediately following the month or quarter (as applicable) in which the Acceptance Date occurs. However, if Rent is payable in advance and if the Acceptance Date falls on the first day of a month or quarter (as applicable), that date shall be the First Payment Date. In addition, on the First Payment Date Lessee shall also pay Lessor (a) in the case of Leases an amount equal to the Daily Rent multiplied by (i) 15 days if Rent is payable monthly or (ii) 45 days if Rent is payable quarterly; or (b) in the case of Financings an amount equal to the Daily Rent multiplied by the number of days from and including the Funding Date up to but excluding the first day of the month or quarter (as applicable) in which the First Payment Date occurs.

4. ADVANCE RENT: _____

5. PRICING EXPIRATION DATE: _____. Lessor's obligation to purchase and lease the Equipment or fund and finance the Financed Items is subject to the Acceptance Date being on or before the Pricing Expiration Date.

6. EQUIPMENT LOCATION: _____.

7. SELLER: _____.

8. ADDITIONAL PROVISIONS: _____

LESSOR AGREES TO LEASE TO LESSEE AND LESSEE AGREES TO LEASE FROM LESSOR THE EQUIPMENT DESCRIBED IN SECTION 1.A ABOVE, IF ANY, AND LESSOR AND LESSEE AGREE TO ENTER INTO A FINANCING OF THE FINANCED ITEMS DESCRIBED IN SECTION 2.A ABOVE, IF

ANY. SUCH LEASE AND/OR FINANCING WILL BE GOVERNED BY THE MASTER AGREEMENT AND THIS SCHEDULE, INCLUDING THE IMPORTANT ADDITIONAL TERMS AND CONDITIONS SET FORTH ABOVE. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS SCHEDULE AND THE MASTER AGREEMENT, THE TERMS OF THIS SCHEDULE SHALL GOVERN.

LESSEE:

BY: _____

NAME AND TITLE

DATE

LESSOR:
COMPAQ FINANCIAL SERVICES CORPORATION

BY: _____

NAME AND TITLE

DATE

EXHIBIT B TO MASTER AGREEMENT
Master Agreement Number _____
APA Number _____

ADVANCE PRICING AGREEMENT

_____ Compaq Financial Services Corporation ("Lessor") and _____ ("Lessee") are parties to the Master Lease and Financing Agreement identified by the Master Agreement Number specified above (the "Master Agreement"). This Advance Pricing Agreement (which shall be identified by the APA Number specified above) is being entered into by Lessor and Lessee for the purpose specified in Section 2.B of the Master Agreement and supersedes any Advancing Pricing Agreement previously entered into by Lessor and Lessee pursuant thereto with respect to Leases and Financings commencing during the Commitment Period specified in Section 1 below. The terms and conditions of the Master Agreement are hereby incorporated by reference into this Advance Pricing Agreement. All capitalized terms used in this Advance Pricing Agreement without definition have the meanings ascribed to them in the Master Agreement.

1. COMMITMENT PERIOD. Lessee may enter into Leases and Financings with Lessor pursuant to either Section 2.A of the Master Agreement or Section 2.B of the Master Agreement and this Advance Pricing Agreement during the period beginning on _____ and ending on _____ (the "Commitment Period").

2. AMOUNT AVAILABLE. The aggregate Total Cost of Equipment to be subject to such Leases and Financed Items to be subject to such Financings shall not exceed \$ _____ ("Amount Available") without Lessor's consent, which consent shall be evidenced either by a writing executed by Lessor or by Lessor's funding during the Commitment Period of Leases, Financings, or both in an aggregate amount exceeding such Amount Available.

3. CONSOLIDATION PERIOD. All Leases and Financings commencing during each [calendar month] [calendar quarter] or portion thereof ending during the Commitment Period (a "Consolidation Period") shall be consolidated into a single Consolidating Schedule in accordance with Section 2.B (d) of the Master Agreement.

4. LEASES. Set forth below is a description of the type(s) of Equipment that may be leased pursuant to this Advance Pricing Agreement, the times at which Rent is payable and the length of the Initial Term of each Lease that is commenced pursuant hereto, and the Lease rate factor to be multiplied by the Total Cost of the Equipment subject to each such Lease to determine the periodic Rent payable with respect thereto:

- A. EQUIPMENT TYPE I:
- (i) Description of Equipment: _____
 - (ii) Rent is payable: _____ in advance _____ in arrears (check one)
_____ monthly _____ quarterly (check one)
 - (iii) Initial Term: _____ Months (plus the number of days from and including the Acceptance Date through and including the last day of the Consolidation Period in which the Acceptance Date occurs).
 - (iv) Lease rate factor: _____

[Add additional sequentially lettered paragraphs in the event of additional Equipment types]

With respect to each Lease that is commenced pursuant to this Advance Pricing Agreement, Lessee shall pay Lessor (a) on the first day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly) if Rent is payable in advance, or (b) on the last day of each calendar month or quarter (depending on whether Rent is payable monthly or quarterly) if Rent is payable in arrears, the Rent payment calculated as set forth above in this Section 4 for the length of the Initial Term of such Lease. The First Payment Date shall be the first day (if Rent is payable in advance) or the last day (if Rent is payable in arrears) of the month or quarter (as applicable) immediately following the end of the Consolidation Period in which the Acceptance Date occurs. In addition, on the First Payment Date Lessee shall also pay Lessor with respect to each such Lease an amount equal to the Daily Rent multiplied by either (i) 15 days if the Consolidation Period is monthly or (ii) 45 days if the Consolidation Period is quarterly.

5. FINANCINGS. Set forth below is a description of the types of Financed Items that may be financed pursuant to this Advance Pricing Agreement, the times at which Rent is payable and the length of the Term of each Financing that is commenced pursuant hereto, and the Financing rate factor to be multiplied by the Total Cost of the Financed Items subject to each such Financing to determine the periodic Rent payable with respect thereto:

- A. FINANCED ITEM TYPE I:
- (i) Description of Financed Item: _____
 - (ii) Rent is payable: _____ in advance _____ in arrears (check one)
_____ monthly _____ quarterly (check one)
 - (iii) Term: _____ Months (plus the number of days from and including the Acceptance Date through and including the last day of the Consolidation Period in which the Acceptance Date occurs).
 - (iv) Financing rate factor: _____

[Add additional sequentially letter paragraphs in the event of additional types of Financed Items]

With respect to each Financing commenced pursuant to this Advance Pricing Agreement, Lessee shall pay Lessor (a) on the first day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly) if Rent is payable in advance, or (b) on the last day of each

calendar month or quarter (depending on whether Rent is payable monthly or quarterly) if Rent is payable in arrears, the Rent payment calculated as set forth above in this Section 5 for the length of the Term of such Financing. The First Payment Date shall be the first day (if Rent is payable in advance) or the last day (if Rent is payable in arrears) of the month or quarter (as applicable) immediately following the end of the Consolidation Period in which the Acceptance Date occurs. In addition, on the First Payment Date Lessee shall also pay Lessor with respect to each such Lease an amount equal to the Daily Rent multiplied by the number of days from and including the Acceptance Date up to but excluding the first day of the month or quarter (as applicable) in which the First Payment Date occurs.

6. ADDITIONAL PROVISIONS: _____.

IN WITNESS WHEREOF, LESSOR AND LESSEE HAVE EXECUTED THIS ADVANCE PRICING AGREEMENT ON THE DATES SPECIFIED BELOW.

LESSEE:

BY: _____

NAME AND TITLE

DATE

LESSOR:
COMPAQ FINANCIAL SERVICES CORPORATION

BY: _____

NAME AND TITLE

DATE

EXHIBIT C TO MASTER AGREEMENT

COUNTERPART NO. _____ OF _____. TO THE EXTENT THAT THIS SCHEDULE CONSTITUTES CHATTEL PAPER (AS DEFINED ON THE UCC), NO SECURITY INTEREST IN THIS SCHEDULE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

Master Agreement Number _____
APA Number _____
Schedule Number _____

MASTER LEASE AND FINANCING AGREEMENT
CONSOLIDATING SCHEDULE

Compaq Financial Services Corporation ("Lessor") and _____ ("Lessee") are parties to the Master Lease and Financing Agreement (the "Master Agreement") and the Advance Pricing Agreement (the "Advance Pricing Agreement") identified by the Master Agreement Number and the APA Number, respectively, specified above. Pursuant thereto, Lessor and Lessee have entered into one or more Leases (the "Existing Leases"), one or more Financings (the "Existing Financings") or one more Existing Leases and one more Existing Financings, all of which are more particularly described in Section 1 below, during the Consolidation Period ending on _____ (the "Consolidation Date"). Pursuant to Section 2.B(d) of the Master Agreement, Lessor and Lessee are entering into this Consolidating Schedule, which shall be identified by the Schedule Number specified above (this "Schedule"), effective as of the day immediately following the Consolidation Date (the "Start Date"), for the purpose of consolidating all of the Existing Leases, if any, into a single, separate and distinct Lease of the Equipment described in Section 2 below, and all of the Existing Financings into a single, separate and distinct Financing of the Financed Items described in Section 3 below. The terms and conditions of the Master Agreement are hereby incorporated by reference into this Schedule. All capitalized terms used in this Schedule without definition have the meanings ascribed to them in the Master Agreement.

1. EXISTING LEASES AND FINANCINGS. Each of the ____ Existing Leases and the ____ Existing Financings being consolidated pursuant to this Schedule have been evidenced by the Master Agreement, the Advance Pricing Agreement and an Acceptance Certificate. The Acceptance Dates specified in the Acceptance Certificates relating to such Existing Leases are as follows: _____ . The Acceptance Dates specified in the Acceptance Certificates relating to such Existing Financings are as follows: _____ .

2. LEASE.
A. DESCRIPTION OF ITEMS OF LEASED EQUIPMENT TOTAL COST

B. INITIAL TERM: ____ Months (measured from the Start Date)

3. FINANCING.
A. DESCRIPTION OF FINANCED ITEMS TOTAL COST

B. TERM: ____ Months (measured from the Start Date)

4. RENT:
For Lease: _____
For Financing: _____
Total Rent: _____

RENT IS PAYABLE: ____in advance ____in arrears (check one)
____monthly ____quarterly (check one)

Lessee shall pay Lessor (a) on the first day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in advance, or (b) on the last day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in arrears, the Rent payment specified above for the length of the Initial Term in the case of a Lease and for the length of the Term in the case of a Financing. The First Payment Date shall be the Start Date if Rent is payable in advance or the last day of the month or quarter (as applicable) in which the Start Date occurs if Rent is payable in arrears. In addition, on the First Payment Date Lessee shall also pay Lessor an amount equal to \$_____ (which is the aggregate amount payable by Lessee to Lessor with respect to the Existing Leases and the Existing Financings pursuant to the terms of the Advance Pricing Agreement Number specified above).

5. ADVANCE RENT: _____

6. EQUIPMENT LOCATION: _____ .

7. SELLER: _____ .

8. ADDITIONAL PROVISIONS: _____ .

LESSOR AGREES TO LEASE TO LESSEE AND LESSEE AGREES TO LEASE FROM LESSOR THE EQUIPMENT DESCRIBED IN SECTION 2.A ABOVE, IF ANY, AND LESSOR AND LESSEE AGREE TO

ENTER INTO A FINANCING OF THE FINANCED ITEMS DESCRIBED IN SECTION 3.A ABOVE, IF ANY. SUCH LEASE AND/OR FINANCING WILL BE GOVERNED BY THE MASTER AGREEMENT AND THIS SCHEDULE, INCLUDING THE IMPORTANT ADDITIONAL TERMS AND CONDITIONS SET FORTH ABOVE. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS SCHEDULE AND THE MASTER AGREEMENT, THE TERMS OF THIS SCHEDULE SHALL GOVERN.

LESSEE:

LESSOR:

COMPAQ FINANCIAL SERVICES CORPORATION

BY: _____

BY: _____

NAME AND TITLE

NAME AND TITLE

DATE

DATE

MASTER LEASE AND FINANCING AGREEMENT
ACCEPTANCE CERTIFICATE

Compaq Financial Services Corporation ("Lessor") and ("Lessee") are parties to the Master Lease and Financing Agreement (the "Master Agreement") and the Schedule under such Master Agreement (the "Schedule") identified by the Master Agreement Number and Schedule Number, respectively, specified above. The Master Agreement and Schedule together comprise a separate Lease, a separate Financing, or a separate Lease and a separate Financing, as the case may be, that is being accepted and commenced pursuant to this Acceptance Certificate. All capitalized terms used in this Acceptance Certificate without definition have the meanings ascribed to them in the Master Agreement.

1. LEASE ACCEPTANCE. Lessee hereby acknowledges that the Equipment described in Section 1 of the Schedule, if any, or if different, the Equipment described in the attached invoice or other attachment hereto, has been delivered to the Equipment Location specified below, inspected by Lessee and found to be in good operating order and condition, and has been unconditionally and irrevocably accepted by Lessee under the Lease evidenced by the Master Agreement and the Schedule as of the Acceptance Date set forth below.

2. FINANCING ACCEPTANCE. Lessee hereby acknowledges that the Financed Items described in Section 2 of the Schedule, if any, or if different, the Financed Items described in the attached invoice or other attachment hereto, have been received or incurred by Lessee and have been unconditionally and irrevocably accepted by Lessee under the Financing evidenced by the Master Agreement and the Schedule, as of the Acceptance Date set forth below.

3. LESSEE ACKNOWLEDGEMENTS. Lessee hereby agrees to faithfully perform all of its obligations under the Master Agreement and the Schedule and reaffirms, as of the date hereof, its representations and warranties as set forth in the Master Agreement. Lessee hereby acknowledges its agreement to pay Lessor Rent payments, as set forth in the Schedule, plus any applicable taxes, together with all other costs, expenses and charges whatsoever which Lessee is required to pay pursuant to the Master Agreement and the Schedule, in each instance at the times and in the manner set forth in the Master Agreement and the Schedule, respectively.

4. The Equipment has been installed and is located at the following Equipment Location:

[LESSEE]

BY:

Name and Title

ACCEPTANCE DATE:

EXHIBIT E TO MASTER AGREEMENT

Master Agreement _____
APA Number _____

MASTER LEASE AND FINANCING AGREEMENT
ADVANCE PRICING AGREEMENT ACCEPTANCE CERTIFICATE NUMBER

Compaq Financial Services Corporation ("Lessor") and _____ ("Lessee") are parties to the Master Lease and Financing Agreement (the "Master Agreement") and the Advance Pricing Agreement (the "Advance Pricing Agreement") identified by the Master Agreement Number and APA Number, respectively, specified above. This Acceptance Certificate, together with the Advance Pricing Agreement and the Master Agreement, comprise a separate Lease, a separate Financing, or a separate Lease and a separate Financing, as the case may be, that is being accepted and commenced pursuant hereto. All capitalized terms used in this Acceptance Certificate without definition have the meanings ascribed to them in the Master Agreement.

1. LEASE ACCEPTANCE. Lessee hereby acknowledges that the Equipment described in the invoices listed in Section 1 of the Attachment hereto has been delivered to the Equipment Location specified in said Attachment, inspected by Lessee and found to be in good operating order and condition, and has been unconditionally and irrevocably accepted by Lessee under the Lease evidenced by this Acceptance Certificate, the Advance Pricing Agreement and the Master Agreement as of the Acceptance Date set forth below. The Seller of the Equipment is specified in Section 1 of the Attachment hereto.

2. FINANCING ACCEPTANCE. Lessee hereby acknowledges that the Financed Items described in the invoices listed in Section 2 of the Attachment hereto have been received or incurred by Lessee and have been unconditionally and irrevocably accepted by Lessee under the Financing evidenced by the Acceptance Certificate, the Advance Pricing Agreement and the Master Agreement as of the Acceptance Date set forth below. The Seller of the Financed Items is specified in Section 2 of the Attachment hereto.

3. LESSEE ACKNOWLEDGEMENTS. Lessee hereby agrees to faithfully perform all of its obligations under the Master Agreement and the Advance Pricing Agreement and reaffirms, as of the date hereof, its representations and warranties as set forth in the Master Agreement. Lessee hereby acknowledges its agreement to pay Lessor Rent payments in the amounts determined pursuant to the Advance Pricing Agreement plus any applicable taxes, together with all other costs, expenses and charges whatsoever which Lessee is required to pay pursuant to the Master Agreement and the Advance Pricing Agreement, in each instance at the times and in the manner set forth in the Master Agreement and the Advance Pricing Agreement, respectively.

4. The Equipment has been installed and is located at the Equipment Location(s) set forth in the Attachment.

[LESSEE]

BY: _____

Name and Title

ACCEPTANCE DATE: _____

ACKNOWLEDGED AND ACCEPTED:

COMPAQ FINANCIAL SERVICES CORPORATION

By _____

Name and Title

Date

Master Agreement Number _____
APA Number _____

ATTACHMENT TO ACCEPTANCE CERTIFICATE NO. _____

1. LEASE

Seller	Equipment Description ----- by Invoice No. -----	Total Cost ----- Amount to be Funded -----	Equipment Location -----
--------	---	---	-----------------------------

2. FINANCING

Seller	Equipment Description ----- by Invoice No. -----	Total Cost ----- Amount to be Funded -----	Equipment Location -----
--------	---	---	-----------------------------

EXHIBIT F TO MASTER AGREEMENT

COUNTERPART NO. _____ OF _____. TO THE EXTENT THAT THIS SCHEDULE CONSTITUTES CHATTEL PAPER (AS DEFINED ON THE UCC), NO SECURITY INTEREST IN THIS SCHEDULE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

Master Agreement Number _____
Schedule Number _____

MASTER LEASE AND FINANCING AGREEMENT SCHEDULE
No. 0

COMPAQ FINANCIAL SERVICES CORPORATION ("Lessor") and _____ ("Lessee") are parties to a Master Lease Agreement, Number _____ (the "Master Agreement"). This Schedule (which shall be identified by the Schedule Number specified above) and the Master Agreement together comprise a separate Lease, a separate Financing or a separate Lease and a separate Financing, as the case may be, between the parties. The terms and conditions of the Master Agreement are hereby incorporated by reference into this Schedule. All capitalized terms used in this Schedule without definition have the meanings ascribed to them in the Master Agreement.

WHEREAS, the equipment described in this Schedule comprising of Hardware and Software (the "Equipment"), or a portion thereof, has already been delivered, and legal title has passed, to Lessee; and

WHEREAS, Lessee desires to sell such Equipment to Lessor and lease it back from Lessor pursuant to the Lease, and Lessor desires to purchase the Equipment and lease it back to Lessee pursuant to the Lease.

NOW, therefore, the parties agree as follows:

1. TRANSFER OF TITLE IN EQUIPMENT: Lessee shall transfer all of its right, title and interest in and to the Equipment to Lessor and shall deliver to Lessor a properly executed Bill of Sale in the form supplied by Lessor covering the Equipment.

2. CONDITIONS PRECEDENT TO PURCHASE OF EQUIPMENT: The obligation of Lessor to purchase or pay for any Equipment for which title thereto is in Lessee, and to lease the same to Lessee under this Schedule, shall be subject to the following conditions precedent:

(a) receipt by Lessor, prior to the Cut-Off Date of this Schedule, of each of the following additional documents in form and substance satisfactory to Lessor: (i) a Bill of Sale in the form supplied by Lessor transferring title to each unit of Equipment to Lessor free and clear of all liens and encumbrances (ii) if applicable, a Payment Authorization in the form supplied by Lessor, which provides that Lessor shall be authorized to pay the respective vendor(s) designated by Lessee the amounts so designated, which amounts shall be consistent with the invoices of such respective vendors delivered by Lessee to Lessor as of the date hereof, and (iii) paid invoices; (iv) copies of cancelled checks for all the Equipment to be sold and leased-back hereunder (and inspection and acceptance of such invoices by Lessor) or a notarized affidavit attesting that payment of invoices has been effectuated; (v) a Secretary's Certificate in the form supplied by Lessor; (vi) an executed Master Agreement; and (vii) such other documents as Lessor may reasonably request, which may include (but shall not necessarily be limited to) an Acknowledgment by Supplier in the form supplied by Lessor.

(b) No Lessee Default, or event which but for the passing of time or giving of notice or both would constitute a Lessee Default has occurred and is continuing.

3. LESSEE REPRESENTATIONS: Lessee, as seller hereunder, and as further inducement to Lessor to purchase the Equipment and to advance its funds to Lessee (or as Lessee may otherwise direct in writing) hereby represents and warrants to Lessor that:

- (a) Lessee is not insolvent within the meaning of any federal or state laws and the consummation of the proposed transaction will not cause Lessee to become insolvent;
- (b) The payment by Lessor to Lessee of acquisition cost of the Equipment is fair consideration for each item of Equipment, within the meaning of all federal and state laws;
- (c) All invoices and/or purchase orders presented by Lessee to Lessor for the Equipment have been paid by Lessee and are true and correct and all relate to the item being leased; and
- (d) The sale of the Equipment has been duly authorized by all necessary corporate action and constitutes the legal, valid binding obligation of Lessee.

4. LIENS AND ENCUMBRANCES: If at any time, before or after the Acceptance Date as it pertains to this Schedule, the Equipment is found to be encumbered by liens or encumbrances pre-existing the date of the Bill of Sale for the Equipment, Lessor, at its option, may request Lessee to forthwith take such action as is necessary or appropriate to remove such liens or encumbrances. In the event that Lessee fails to take such action, Lessor may take such action as is either necessary or appropriate to remove such liens or encumbrances. In all events, Lessee shall reimburse Lessor upon demand for all sums theretofore paid by Lessor, including out-of-

13. ADVANCE RENT. In the event that Lessee has made any advance Rent payment ("Advance Rent"), such Advance Rent shall be refunded without interest to Lessee only if Lessor declines to sign this Schedule. Advance Rent will be credited to Lessee's first Rent payment under this Lease and any excess Advance Rent will be credited to Lessee's final Rent payment of the Initial Term of this Lease.

14. ADDITIONAL TERMS; COUNTERPARTS. The Lessor and Lessee agree that the terms and conditions contained in this Schedule shall apply to the lease of all Equipment under this Lease. In the event of any conflict between the terms of this Schedule and the Master Agreement, the provisions of this Schedule shall govern.

LESSOR AGREES TO LEASE TO LESSEE AND LESSEE AGREES TO LEASE FROM LESSOR THE EQUIPMENT DESCRIBED IN SECTION 1.A ABOVE, IF ANY, AND LESSOR AND LESSEE AGREE TO ENTER INTO A FINANCING OF THE FINANCED ITEMS DESCRIBED IN SECTION 2.A ABOVE, IF ANY. SUCH LEASE AND/OR FINANCING WILL BE GOVERNED BY THE MASTER AGREEMENT AND THIS SCHEDULE, INCLUDING THE IMPORTANT ADDITIONAL TERMS AND CONDITIONS SET FORTH ABOVE. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS SCHEDULE AND THE MASTER AGREEMENT, THE TERMS OF THIS SCHEDULE SHALL GOVERN.

LESSEE:

LESSOR:
COMPAQ FINANCIAL SERVICES CORPORATION

BY: _____

BY: _____

NAME: _____

NAME: _____

DATE: _____

DATE: _____

COUNTERPART NO. _____ OF _____. TO THE EXTENT THAT THIS SCHEDULE CONSTITUTES CHATTEL PAPER (AS DEFINED ON THE UCC), NO SECURITY INTEREST IN THIS SCHEDULE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

Master Agreement Number 100924
Schedule Number 100924000001

MASTER LEASE AND FINANCING AGREEMENT SCHEDULE
No. 100924000001

COMPAQ FINANCIAL SERVICES CORPORATION ("Lessor") and LivePerson, Inc. ("Lessee") are parties to a Master Lease Agreement, Number 100924 (the "Master Agreement"). This Schedule (which shall be identified by the Schedule Number specified above) and the Master Agreement together comprise a separate Lease, a separate Financing or a separate Lease and a separate Financing, as the case may be, between the parties. The terms and conditions of the Master Agreement are hereby incorporated by reference into this Schedule. All capitalized terms used in this Schedule without definition have the meanings ascribed to them in the Master Agreement.

WHEREAS, the equipment described in this Schedule comprising of Hardware and Software (the "Equipment"), or a portion thereof, has already been delivered, and legal title has passed, to Lessee; and

WHEREAS, Lessee desires to sell such Equipment to Lessor and lease it back from Lessor pursuant to the Lease, and Lessor desires to purchase the Equipment and lease it back to Lessee pursuant to the Lease.

NOW, therefore, the parties agree as follows:

1. **TRANSFER OF TITLE IN EQUIPMENT:** Lessee shall transfer all of its right, title and interest in and to the Equipment to Lessor and shall deliver to Lessor a properly executed Bill of Sale in the form supplied by Lessor covering the Equipment.
2. **CONDITIONS PRECEDENT TO PURCHASE OF EQUIPMENT:** The obligation of Lessor to purchase or pay for any Equipment for which title thereto is in Lessee, and to lease the same to Lessee under this Schedule, shall be subject to the following conditions precedent:
 - (a) receipt by Lessor, prior to the Cut-Off Date of this Schedule, of each of the following additional documents in form and substance satisfactory to Lessor: (i) a Bill of Sale in the form supplied by Lessor transferring title to each unit of Equipment to Lessor free and clear of all liens and encumbrances (ii) if applicable, a Payment Authorization in the form supplied by Lessor, which provides that Lessor shall be authorized to pay the respective vendor(s) designated by Lessee the amounts so designated, which amounts shall be consistent with the invoices of such respective vendors delivered by Lessee to Lessor as of the date hereof, and (iii) paid invoices; (iv) copies of cancelled checks for all the Equipment to be sold and leased-back hereunder (and inspection and acceptance of such invoices by Lessor) or a notarized affidavit attesting that payment of invoices has been effectuated; (v) a Secretary's Certificate in the form supplied by Lessor; (vi) an executed Master Agreement; and (vii) such other documents as Lessor may reasonably request, which may include (but shall not necessarily be limited to) an Acknowledgment by Supplier in the form supplied by Lessor.
 - (b) No Lessee Default, or event which but for the passing of time or giving of notice or both would constitute a Lessee Default has occurred and is continuing.
3. **LESSEE REPRESENTATIONS:** Lessee, as seller hereunder, and as further inducement to Lessor to purchase the Equipment and to advance its funds to Lessee (or as Lessee may otherwise direct in writing) hereby represents and warrants to Lessor that:
 - (a) Lessee is not insolvent within the meaning of any federal or state laws and the consummation of the proposed transaction will not cause Lessee to become insolvent;
 - (b) The payment by Lessor to Lessee of acquisition cost of the Equipment is fair consideration for each item of Equipment, within the meaning of all federal and state laws;
 - (c) All invoices and/or purchase orders presented by Lessee to Lessor for the Equipment have been paid by Lessee and are true and correct and all relate to the item being leased; and
 - (d) The sale of the Equipment has been duly authorized by all necessary corporate action and constitutes the legal, valid binding obligation of Lessee.
4. **LIENS AND ENCUMBRANCES:** If at any time, before or after the Acceptance Date as it pertains to this Schedule, the Equipment is found to be encumbered by liens or encumbrances pre-existing the date of the Bill of Sale for the Equipment, Lessor, at its option, may request Lessee to forthwith take such action as is necessary or appropriate to remove such liens or encumbrances. In the event that Lessee fails to take such action, Lessor may take such action as is either necessary or appropriate to remove such liens or encumbrances. In all events, Lessee shall reimburse Lessor upon demand for all sums theretofore paid by Lessor, including out-of-pocket expenses, incurred by Lessor in having the liens or encumbrances removed, plus interest at the rate of 1-1/2% per month (or such lesser rate as is the maximum rate allowable under applicable law). Lessor's rights hereunder are in addition to, and not in derogation of, any

rights which Lessor may have at law or in equity.

5. ACCEPTANCE OF EQUIPMENT BY LESSEE: NOTWITHSTANDING ANYTHING CONTRARY CONTAINED IN SECTION 3 OF THE MASTER AGREEMENT, THE EQUIPMENT HEREUNDER SHALL BE DEEMED TO BE UNCONDITIONALLY AND IRREVOCABLY ACCEPTED BY LESSEE FOR ALL PURPOSES UNDER THIS SCHEDULE AS OF THE DATE OF THE BILL OF SALE DELIVERED TO LESSOR (FOR PURPOSES OF THIS SCHEDULE ONLY THE "ACCEPTANCE DATE").

6. EQUIPMENT LOCATION: The Equipment is located at the following location

See Attached Exhibit A

7. LEASE.

A. DESCRIPTION OF ITEMS OF LEASED EQUIPMENT	TOTAL COST
See Attached Exhibit A	\$1,797,059.85

B. INITIAL TERM: 24 Months (plus the number of days from and including the Acceptance Date through and including the last day of the calendar month or quarter (depending on whether Rent is payable monthly or quarterly as specified in Section 3 below) in which the Acceptance Date occurs).

8. FINANCINGS.

A. DESCRIPTION OF FINANCED ITEMS	TOTAL COST
See Attached Exhibit A	\$0.00

B. TERM: 24 Months (plus the number of days from and including the Acceptance Date through and including the last day of the calendar month or quarter (depending on whether Rent is payable monthly or quarterly as specified on Section 3 below) in which the Acceptance Date occurs).

9. RENT:

For Lease: \$78,801.72 (plus applicable taxes)
For Financing: \$0.00 (plus applicable taxes)
Total Rent: \$78,801.72 (plus applicable taxes)

RENT IS PAYABLE: /X/ in advance / / in arrears (check one)
 /X/ monthly / / quarterly (check one)

Lessee shall pay Lessor (a) on the first day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in advance, or (b) on the last day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in arrears, the Rent payment specified above for the length of the Initial Term in the case of a Lease and for the length of the Term in the case of a Financing. The First Payment Date shall be the first day (if Rent is payable in advance) or the last day (if Rent is payable in arrears) of the month or quarter (as applicable) immediately following the month or quarter (as applicable) in which the Acceptance Date occurs. However, if Rent is payable in advance and if the Acceptance Date falls on the first day of a month or quarter (as applicable), that date shall be the First Payment Date. In addition, on the First Payment Date Lessee shall also pay Lessor an amount equal to the Daily Rent multiplied by the number of days from and including the Acceptance Date (Funding Date in the case of a Financing) up to but excluding the first day of the month or quarter (as applicable) in which the First Payment Date occurs. Lessor's obligation to purchase and lease the Equipment is subject to the Acceptance Date being on or before the Cut-Off Date (specified herein).

10. CUT-OFF DATE: For the purposes of this Lease, the Cut-Off Date is September 30, 2000.

11. ADVANCE PAYMENT TERMS: ONE RENTAL PAYMENT IN THE AMOUNT OF \$78,801.72 PLUS APPLICABLE TAXES.

12. END OF LEASE PURCHASE, RENEWAL AND RETURN OPTIONS: See Section 4 of the Master Agreement.

13. ADVANCE RENT. In the event that Lessee has made any advance Rent payment ("Advance Rent"), such Advance Rent shall be refunded without interest to Lessee only if Lessor declines to sign this Schedule. Advance Rent will be credited to Lessee's first Rent payment under this Lease and any excess Advance Rent will be credited to Lessee's final Rent payment of the Initial Term of this Lease.

14. ADDITIONAL TERMS; COUNTERPARTS. The Lessor and Lessee agree that the terms and conditions contained in this Schedule shall apply to the lease of all Equipment under this Lease. In the event of any conflict between the terms of this Schedule and the Master Agreement, the provisions of this Schedule shall govern.

LESSOR AGREES TO LEASE TO LESSEE AND LESSEE AGREES TO LEASE FROM LESSOR THE EQUIPMENT DESCRIBED IN SECTION 1.A ABOVE, IF ANY, AND LESSOR AND LESSEE AGREE TO ENTER INTO A FINANCING OF THE FINANCED ITEMS DESCRIBED IN SECTION 2.A ABOVE, IF ANY. SUCH LEASE AND/OR FINANCING WILL BE GOVERNED BY THE MASTER AGREEMENT AND THIS SCHEDULE, INCLUDING THE IMPORTANT ADDITIONAL

TERMS AND CONDITIONS SET FORTH ABOVE. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS SCHEDULE AND THE MASTER AGREEMENT, THE TERMS OF THIS SCHEDULE SHALL GOVERN.

LESSEE:

LIVEPERSON, INC.

BY: /S/ TIMOTHY E. BIXBY

NAME: Timothy E. Bixby

TITLE: EVP/CF0

DATE: 9/27/00

LESSOR:

COMPAQ FINANCIAL SERVICES CORPORATION

BY: /S/ LEE D. EBERDING

NAME: Lee D. Eberding

TITLE: Director, Operations

DATE: 10/2/00

COUNTERPART NO. _____ OF _____. TO THE EXTENT THAT THIS SCHEDULE CONSTITUTES CHATTEL PAPER (AS DEFINED ON THE UCC), NO SECURITY INTEREST IN THIS SCHEDULE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

Master Agreement Number 100924
Schedule Number 100924000002

MASTER LEASE AND FINANCING AGREEMENT SCHEDULE
No. 100924000002

COMPAQ FINANCIAL SERVICES CORPORATION ("Lessor") and and LivePerson, Inc. ("Lessee") are parties to a Master Lease Agreement, Number 100924 (the "Master Agreement"). This Schedule (which shall be identified by the Schedule Number specified above) and the Master Agreement together comprise a separate Lease, a separate Financing or a separate Lease and a separate Financing, as the case may be, between the parties. The terms and conditions of the Master Agreement are hereby incorporated by reference into this Schedule. All capitalized terms used in this Schedule without definition have the meanings ascribed to them in the Master Agreement.

WHEREAS, the equipment described in this Schedule comprising of Hardware and Software (the "Equipment"), or a portion thereof, has already been delivered, and legal title has passed, to Lessee; and

WHEREAS, Lessee desires to sell such Equipment to Lessor and lease it back from Lessor pursuant to the Lease, and Lessor desires to purchase the Equipment and lease it back to Lessee pursuant to the Lease.

NOW, therefore, the parties agree as follows:

1. TRANSFER OF TITLE IN EQUIPMENT: Lessee shall transfer all of its right, title and interest in and to the Equipment to Lessor and shall deliver to Lessor a properly executed Bill of Sale in the form supplied by Lessor covering the Equipment.
2. CONDITIONS PRECEDENT TO PURCHASE OF EQUIPMENT: The obligation of Lessor to purchase or pay for any Equipment for which title thereto is in Lessee, and to lease the same to Lessee under this Schedule, shall be subject to the following conditions precedent:
 - (a) receipt by Lessor, prior to the Cut-Off Date of this Schedule, of each of the following additional documents in form and substance satisfactory to Lessor: (i) a Bill of Sale in the form supplied by Lessor transferring title to each unit of Equipment to Lessor free and clear of all liens and encumbrances (ii) if applicable, a Payment Authorization in the form supplied by Lessor, which provides that Lessor shall be authorized to pay the respective vendor(s) designated by Lessee the amounts so designated, which amounts shall be consistent with the invoices of such respective vendors delivered by Lessee to Lessor as of the date hereof, and (iii) paid invoices; (iv) copies of cancelled checks for all the Equipment to be sold and leased-back hereunder (and inspection and acceptance of such invoices by Lessor) or a notarized affidavit attesting that payment of invoices has been effectuated; (v) a Secretary's Certificate in the form supplied by Lessor; (vi) an executed Master Agreement; and (vii) such other documents as Lessor may reasonably request, which may include (but shall not necessarily be limited to) an Acknowledgment by Supplier in the form supplied by Lessor.
 - (b) No Lessee Default, or event which but for the passing of time or giving of notice or both would constitute a Lessee Default has occurred and is continuing.
3. LESSEE REPRESENTATIONS: Lessee, as seller hereunder, and as further inducement to Lessor to purchase the Equipment and to advance its funds to Lessee (or as Lessee may otherwise direct in writing) hereby represents and warrants to Lessor that:
 - (a) Lessee is not insolvent within the meaning of any federal or state laws and the consummation of the proposed transaction will not cause Lessee to become insolvent;
 - (b) The payment by Lessor to Lessee of acquisition cost of the Equipment is fair consideration for each item of Equipment, within the meaning of all federal and state laws;
 - (c) All invoices and/or purchase orders presented by Lessee to Lessor for the Equipment have been paid by Lessee and are true and correct and all relate to the item being leased; and
 - (d) The sale of the Equipment has been duly authorized by all necessary corporate action and constitutes the legal, valid binding obligation of Lessee.
4. LIENS AND ENCUMBRANCES: If at any time, before or after the Acceptance Date as it pertains to this Schedule, the Equipment is found to be encumbered by liens or encumbrances pre-existing the date of the Bill of Sale for the Equipment, Lessor, at its option, may request Lessee to forthwith take such action as is necessary or appropriate to remove such liens or encumbrances. In the event that Lessee fails to take such action, Lessor may take such action as is either necessary or appropriate to remove such liens or encumbrances. In all events, Lessee shall reimburse Lessor upon demand for all sums theretofore paid by Lessor, including out-of-pocket expenses, incurred by Lessor in having the liens or encumbrances removed, plus interest at the rate of 1-1/2% per month (or such lesser rate as is the maximum rate allowable under applicable law). Lessor's rights hereunder are in addition to, and not in derogation of, any rights which Lessor may have at law or in equity.
5. ACCEPTANCE OF EQUIPMENT BY LESSEE: NOTWITHSTANDING ANYTHING CONTRARY

CONTAINED IN SECTION 3 OF THE MASTER AGREEMENT, THE EQUIPMENT HEREUNDER SHALL BE DEEMED TO BE UNCONDITIONALLY AND IRREVOCABLY ACCEPTED BY LESSEE FOR ALL PURPOSES UNDER THIS SCHEDULE AS OF THE DATE OF THE BILL OF SALE DELIVERED TO LESSOR (FOR PURPOSES OF THIS SCHEDULE ONLY THE "ACCEPTANCE DATE").

6. EQUIPMENT LOCATION: The Equipment is located at the following location

See Attached Exhibit A

7. LEASE.

A. DESCRIPTION OF ITEMS OF LEASED EQUIPMENT	TOTAL COST
See Attached Exhibit A	\$924,421.00

B. INITIAL TERM: 24 Months (plus the number of days from and including the Acceptance Date through and including the last day of the calendar month or quarter (depending on whether Rent is payable monthly or quarterly as specified in Section 3 below) in which the Acceptance Date occurs).

8. FINANCINGS.

A. DESCRIPTION OF FINANCED ITEMS	TOTAL COST
See Attached Exhibit A	\$0.00

B. TERM: 24 Months (plus the number of days from and including the Acceptance Date through and including the last day of the calendar month or quarter (depending on whether Rent is payable monthly or quarterly as specified on Section 3 below) in which the Acceptance Date occurs).

9. RENT:

10.

For Lease: \$39,204.83 (plus applicable taxes)
For Financing: \$0.00 (plus applicable taxes)
Total Rent: \$39,204.83 (plus applicable taxes)

RENT IS PAYABLE: /X/ in advance / / in arrears (check one)
 /X/ monthly / / quarterly (check one)

Lessee shall pay Lessor (a) on the first day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in advance, or (b) on the last day of each calendar month or calendar quarter (depending on whether Rent is payable monthly or quarterly as specified above) if Rent is payable in arrears, the Rent payment specified above for the length of the Initial Term in the case of a Lease and for the length of the Term in the case of a Financing. The First Payment Date shall be the first day (if Rent is payable in advance) or the last day (if Rent is payable in arrears) of the month or quarter (as applicable) immediately following the month or quarter (as applicable) in which the Acceptance Date occurs. However, if Rent is payable in advance and if the Acceptance Date falls on the first day of a month or quarter (as applicable), that date shall be the First Payment Date. In addition, on the First Payment Date Lessee shall also pay Lessor an amount equal to the Daily Rent multiplied by the number of days from and including the Acceptance Date (Funding Date in the case of a Financing) up to but excluding the first day of the month or quarter (as applicable) in which the First Payment Date occurs. Lessor's obligation to purchase and lease the Equipment is subject to the Acceptance Date being on or before the Cut-Off Date (specified herein).

10. CUT-OFF DATE: For the purposes of this Lease, the Cut-Off Date is September 30, 2000.

11. ADVANCE PAYMENT TERMS: ONE RENTAL PAYMENT IN THE AMOUNT OF \$39,204.83 PLUS APPLICABLE TAXES.

12. END OF LEASE PURCHASE, RENEWAL AND RETURN OPTIONS: See Section 4 of the Master Agreement.

13. ADVANCE RENT. In the event that Lessee has made any advance Rent payment ("Advance Rent"), such Advance Rent shall be refunded without interest to Lessee only if Lessor declines to sign this Schedule. Advance Rent will be credited to Lessee's first Rent payment under this Lease and any excess Advance Rent will be credited to Lessee's final Rent payment of the Initial Term of this Lease.

14. ADDITIONAL TERMS; COUNTERPARTS. The Lessor and Lessee agree that the terms and conditions contained in this Schedule shall apply to the lease of all Equipment under this Lease. In the event of any conflict between the terms of this Schedule and the Master Agreement, the provisions of this Schedule shall govern.

LESSOR AGREES TO LEASE TO LESSEE AND LESSEE AGREES TO LEASE FROM LESSOR THE EQUIPMENT DESCRIBED IN SECTION 1.A ABOVE, IF ANY, AND LESSOR AND LESSEE AGREE TO ENTER INTO A FINANCING OF THE FINANCED ITEMS DESCRIBED IN SECTION 2.A ABOVE, IF ANY. SUCH LEASE AND/OR FINANCING WILL BE GOVERNED BY THE MASTER AGREEMENT AND THIS SCHEDULE, INCLUDING THE IMPORTANT ADDITIONAL

TERMS AND CONDITIONS SET FORTH ABOVE. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS SCHEDULE AND THE MASTER AGREEMENT, THE TERMS OF THIS SCHEDULE SHALL GOVERN.

LESSEE:

LIVEPERSON, INC.

BY: /S/ TIMOTHY E. BIXBY

NAME: Timothy E. Bixby

TITLE: EVP/CF0

DATE: 9/27/00

LESSOR:

COMPAQ FINANCIAL SERVICES CORPORATION

BY: /S/ LEE D. EBERDING

NAME: Lee D. Eberding

TITLE: Director, Operations

DATE: 10/2/00

MASTER LEASE AND FINANCING AGREEMENT
ACCEPTANCE CERTIFICATE

Compaq Financial Services Corporation ("Lessor") and LivePerson, Inc. ("Lessee") are parties to the Master Lease and Financing Agreement (the "Master Agreement") and the Schedule under such Master Agreement (the "Schedule") identified by the Master Agreement Number and Schedule Number, respectively, specified above. The Master Agreement and Schedule together comprise a separate Lease, a separate Financing, or a separate Lease and a separate Financing, as the case may be, that is being accepted and commenced pursuant to this Acceptance Certificate. All capitalized terms used in this Acceptance Certificate without definition have the meanings ascribed to them in the Master Agreement.

1. LEASE ACCEPTANCE. Lessee hereby acknowledges that the Equipment described in Section 1 of the Schedule, if any, or if different, the Equipment described in the attached invoice or other attachment hereto, has been delivered to the Equipment Location specified below, inspected by Lessee and found to be in good operating order and condition, and has been unconditionally and irrevocably accepted by Lessee under the Lease evidenced by the Master Agreement and the Schedule as of the Acceptance Date set forth below.

2. FINANCING ACCEPTANCE. Lessee hereby acknowledges that the Financed Items described in Section 2 of the Schedule, if any, or if different, the Financed Items described in the attached invoice or other attachment hereto, have been received or incurred by Lessee and have been unconditionally and irrevocably accepted by Lessee under the Financing evidenced by the Master Agreement and the Schedule, as of the Acceptance Date set forth below.

3. LESSEE ACKNOWLEDGEMENTS. Lessee hereby agrees to faithfully perform all of its obligations under the Master Agreement and the Schedule and reaffirms, as of the date hereof, its representations and warranties as set forth in the Master Agreement. Lessee hereby acknowledges its agreement to pay Lessor Rent payments, as set forth in the Schedule, plus any applicable taxes, together with all other costs, expenses and charges whatsoever which Lessee is required to pay pursuant to the Master Agreement and the Schedule, in each instance at the times and in the manner set forth in the Master Agreement and the Schedule, respectively.

4. The Equipment has been installed and is located at the following Equipment Location:

665 Broadway, Suite 1200, New York, NY 10012

462 7th Avenue, New York, NY 10018

111 8th Ave., Suite 209, New York, NY 10011

LIVEPERSON, INC.

BY: /S/ TIMOTHY E. BIXBY

Timothy E. Bixby, EVP/CFO

Name and Title

ACCEPTANCE DATE: 9/27/00

SUBSIDIARIES OF LIVEPERSON, INC.

HumanClick Ltd. - Israel

CONSENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders of
LivePerson, Inc.:

We consent to incorporation by reference in the registration statement (No. 333-34230) on Form S-8 of LivePerson, Inc. of our report dated January 31, 2001, relating to the consolidated balance sheets of LivePerson, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2000, which report appears in the December 31, 2000 Annual Report on Form 10-K of LivePerson, Inc.

/s/ KPMG LLP

New York, New York
March 29, 2001