

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

**FORM S-1  
 REGISTRATION STATEMENT  
 UNDER  
 THE SECURITIES ACT OF 1933**

**LegalZoom.com, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
 (State or other jurisdiction of  
 incorporation or organization)

7370  
 (Primary Standard Industrial  
 Classification Code Number)

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

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 Glendale, California 91203  
 (323) 962-8600  
 (Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  Smaller reporting company   
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee(2)
Common stock, \$0.001 par value per share	\$	\$

- (1) Estimated solely for the purpose of computing the amount of registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. Includes the offering price of additional shares of common stock that the underwriters have the option to purchase.  
 (2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated \_\_\_\_\_, 2021.

Preliminary prospectus

*Shares*



## Common stock

This is the initial public offering of shares of our common stock. We are offering \_\_\_\_\_ shares of our common stock and the selling stockholders identified in this prospectus are offering an additional \_\_\_\_\_ shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share of common stock.

We have applied for listing of our common stock on The Nasdaq Global Select Market under the symbol "LZ".

We are an "emerging growth company" as defined under the U.S. federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for this and future filings.

	Per share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discounts and commissions <sup>(1)</sup>	\$ _____	\$ _____
Proceeds to us before expenses	\$ _____	\$ _____
Proceeds to selling stockholders before expenses	\$ _____	\$ _____

(1) We refer you to the section titled "Underwriting" for additional information regarding underwriter compensation.

We and the selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to an additional \_\_\_\_\_ and \_\_\_\_\_ shares of common stock, respectively, at the initial public offering price, less the underwriting discounts and commissions.

Investing in our common stock involves a high degree of risk. See the section titled "[Risk Factors](#)" beginning on page 20.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on \_\_\_\_\_, 2021.

**J.P. Morgan**

, 2021

**Morgan Stanley**

**Barclays**

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The information in this prospectus is not complete and is subject to change. No person should rely on the information contained in this document for any purpose other than participating in our proposed initial public offering, and only the prospectus dated \_\_\_\_\_, 2021, is authorized by us to be used in connection with our proposed initial public offering. The prospectus will only be distributed by us and the underwriters named herein and no other person has been authorized by us to use this document to offer or sell any of our securities.

We have not, the selling stockholders have not, and the underwriters have not, authorized anyone to provide you any information or to make any representations other than those contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we, the selling stockholders nor the underwriters take responsibility for, or provide any assurance as to the reliability of, any other information others may give you. This prospectus is an offer to sell only the shares offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. We are not, the selling stockholders are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

**Through and including \_\_\_\_\_, 2021 (the 25<sup>th</sup> day after the date of this prospectus), all dealers that buy, sell, or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.**

For investors outside the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit our initial public offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our common stock and the distribution of this prospectus outside of the United States.

## PROSPECTUS SUMMARY

*This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider in making your investment decision. You should read this entire prospectus carefully before making an investment in our common stock. You should consider, among other things, the sections titled “Risk Factors,” “Special Note Regarding Forward-Looking Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus. Unless the context otherwise requires, the terms “LegalZoom.com,” “LegalZoom,” “the Company,” “we,” “us,” “our” and similar references refer to LegalZoom.com, Inc. and, where appropriate, its subsidiaries. References to the “selling stockholders” refer to the selling stockholders named in this prospectus. With the exception of disclosures that refer to our consolidated financial information (including our financial summaries), as well as disclosures that refer to average order value, average revenue per subscription unit, numbers of subscription units, total transaction orders, and numbers of businesses formed per year (which disclosures are all made by reference to our consolidated global operations), all disclosures relating to our business and which are presented in this prospectus are made by reference solely to our U.S. operations.*

### Our Mission

Our mission is to democratize law. We believe every business deserves the full protection of the legal system and a simple way to stay compliant with it. Our platform helps new businesses form. Once a small business is formed, we offer subscription services to protect the business, its ideas, and the families that create them. LegalZoom empowers small business owners to apply their energy and passion to their businesses instead of the legal and regulatory complexity required to operate them.

### Our Business

LegalZoom is a leading online platform for legal and compliance solutions in the United States. In 2020, 10% of new limited liability companies, or LLCs, and 5% of new corporations in the United States were formed via LegalZoom. Our unique position at business inception allows us to become a trusted business advisor, supporting the evolving needs of a new business across its lifecycle. Along with formation, LegalZoom offerings include ongoing compliance and tax advice and filings, trademark filings, and estate plans. Additionally, we have unique insights into our customers and leverage our product as a channel to introduce small businesses to leading brands in our partner ecosystem, solving even more of their business needs. We operate across all 50 states and over 3,000 counties in the United States, and have more than 20 years of experience navigating complex regulation and simplifying the legal and compliance process for our customers.

The U.S. legal and regulatory landscape is broad and varied, complex, opaque, and constantly evolving, in particular with respect to the following:

- **Multiple third-party interactions.** The simple act of forming an LLC or incorporating a corporation may require specific federal, state, county and city interactions, each with their own idiosyncrasies.
- **Compliance requirements are complex.** At formation, basic compliance requirements are not anticipated or understood. More advanced requirements are dictated by industry, geography, and employer type.
- **Regulations change constantly.** The myriad of regulatory bodies and potential compliance requirements are daunting on their own, and this dynamic is amplified by the fact that they are constantly changing and evolving.

Many small businesses operate without forming a legal entity, unintentionally introducing financial risk to the owners’ personal assets. The businesses that recognize that risk upfront often struggle to address it. Once they

understand the need to be protected, they often do not know what to do, where to turn or how much it will cost to get help. Even when formed properly, small businesses often fail to comply with ongoing compliance requirements, thereby reintroducing personal liability or facing significant financial and operational risk. Furthermore, these difficulties are becoming more acute as the number of U.S. business formations increase, driven by various macroeconomic factors such as the rise of the gig economy and remote work, accentuating the need for a trusted, cost-effective, digital-first and simple legal and compliance solution.

LegalZoom commenced operations in 2000 so more people could access legal help. Initially, we focused on business formation, intellectual property, and estate planning. Over the years, we have expanded our offerings to cover a broader set of legal, compliance, tax and business services for small businesses. In 2020, we helped form 10% of all new LLCs and helped incorporate 5% of all new corporations in the United States. In addition, 25,000 trademark applications, or 6% of all trademark registration applications in the United States in 2020, were made through LegalZoom. At December 31, 2020, we had over 1.0 million subscription units outstanding and were one of the largest registered agent providers for small businesses in the United States. As a result of this success, we have become the leading brand in online legal services, with 70% aided brand awareness as of December 2020 according to a 2020 study hosted by Dynata.

Our platform combines the power of technology and people to demystify and simplify complicated processes, creating user-friendly experiences for our customers. Our proprietary technology enables us to automate many complex legal and compliance processes, allowing us to offer solutions at transparent, flat-fee prices that are at a significant discount to traditional offline alternatives. While the majority of our customers complete these transactions without human assistance, many prefer to have some guidance through the process. The combination of technology and people is at the heart of our unique customer experience. For our customers looking for general help, our customer care and sales organization of over 500 people is available for real-time guidance on how to use our services. For customers preferring credentialed assistance, we embed the option for them to retain attorneys and certified public accountants, or CPAs, from the beginning of the customer journey at affordable and transparent pricing. In addition, our unique and trusted position at business formation gives us unparalleled knowledge of our customers' needs prior to the business being operational or discoverable by other service providers. We leverage this valuable knowledge and our position as a small business' first advisor to introduce our customers to the most relevant business solutions within our partner ecosystem to help them run other aspects of their business.

We believe we earn small businesses' trust and drive significant organic traffic through our free proprietary educational content, which is often our first interaction with a potential customer. From there, our small business customers' initial purchase is typically a formation product that streamlines the process of starting a business. Alongside and after this initial transaction, our customers generally purchase annual subscription services to solve additional legal, compliance and tax needs, deepening our relationship with our customers. The power of our platform yields highly efficient unit economics: over the past several years for customers in the United States, we have generated a lifetime customer value in excess of customer acquisition costs generally within the first 90 days of establishing a customer relationship. With recurring revenue through subscription services and repurchases from existing customers, we continue to benefit from an increasing customer lifetime value.

As a result of our traction with our customers, we have achieved economies of scale that we expect to continue to leverage as we accelerate the growth of our business. We generated revenue of \$408.4 million in 2019 and \$470.6 million in 2020, representing a year-over-year increase of 15.2%, and \$105.8 million and \$134.6 million for the three months ended March 31, 2020 and 2021, respectively, representing a period-over-period increase of 27.3%. We had net income (loss) of \$7.4 million, \$9.9 million, \$(4.9) million and \$(9.8) million in 2019, 2020, and the three months ended March 31, 2020 and 2021, respectively. Adjusted EBITDA decreased from \$97.2 million in 2019 to \$88.0 million in 2020 and from \$13.4 million in the three months ended March 31, 2020 to \$3.6 million in the three months ended March 31, 2021, as we invested further in marketing spend to expand our customer base and build on our digital brand leadership. Cash flows from operating activities increased from \$52.7 million in 2019 to \$93.0 million in 2020 and increased from \$21.9 million in the

three months ended March 31, 2020 to \$31.4 million in the three months ended March 31, 2021. Free cash flow increased from \$34.3 million in 2019 to \$82.5 million in 2020, primarily as a result of growth in deferred revenue, driven by an increase in subscription units, an increase in accounts payable due to the timing of our payments and lower capital expenditures for the purchase of property and equipment, including capitalization of internal-use software. Free cash flow increased from \$19.9 million in the three months ended March 31, 2020 to \$28.5 million in the three months ended March 31, 2021, primarily as a result of growth in deferred revenue driven by an increase in the number of transactions and subscription units. For 2019, 2020, and the three months ended March 31, 2020 and 2021, our free cash flow included cash payments for interest of \$37.3 million, \$27.9 million, \$8.3 million and \$6.1 million, respectively. Adjusted EBITDA and free cash flow are not financial measures calculated in accordance with GAAP. For further information about Adjusted EBITDA and free cash flow, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

## **Industry Trends**

### ***Millions of people start small businesses every year, an accelerating trend driven by digital enablement and the gig economy.***

Small businesses are the engine of the U.S. economy, representing 65% of net new job creation since 2000, according to the Bureau of Labor Statistics. These businesses are often family affairs—according to a 2016 Annual Survey of Entrepreneurs conducted by the U.S. Census Bureau, during 2016, 64% were started with family or personal savings, and 31% were family owned. These entrepreneurs also come from diverse backgrounds: according to a 2018 Annual Business Survey conducted by the U.S. Census Bureau, out of all employer firms in 2017, 20% were women-owned, 18% were minority-owned, 17% were immigrant-owned, and 6% were veteran-owned. Two major factors are driving an acceleration in small business creation: digital enablement and the gig economy. Today, an idea can become a digital business within a few days with the help of small business enablement tools. Further, with the rise of the gig economy and lead-generating platforms, a person can become a business in hours by engaging in independent work such as renting their home, driving their car, or selling their crafts or services on an established marketplace. According to a report published by MBO Partners, there were 38 million independent workers in the United States in 2020.

People start small businesses when economic times are both good and bad. Based on information available from secretaries of state, the number of business formations in the United States have grown for 26 out of the past 30 years on a year over year basis.

### ***Small business owners often do not know that they may face personal liability and tax consequences depending on their business formation decision.***

The first step to form a business entity is choosing a business structure at formation. A person is automatically a sole proprietor if they do not register as any other kind of business. As a sole proprietor, a small business owner has unlimited personal liability for their business activities, impacting their families and well-being. According to the U.S. Census Bureau, there were 31.7 million small businesses in the United States in 2017 all of whom could benefit from protection. In spite of the risk and the complexity of the U.S. legal system, 35% of new business owners received no professional guidance in selecting a business formation structure, according to a survey conducted by Magid, a consumer-centered business strategy company, in 2021.

### ***Many small business owners try to figure out legal requirements on their own, and often face regulatory problems for noncompliance. It can be frustrating, time consuming and expensive to navigate multiple layers of legal and compliance requirements.***

The U.S. legal and compliance system is often opaque and complex, so it is challenging for people to access legal advice and protection and to stay compliant with regulations and taxes. According to a 2017 National Small

Business Association, or NSBA, Small Business Regulations Survey, 44% of small firms in the United States reported spending 40 hours or more each year dealing with new and existing federal regulations, and 30% spend 40 hours or more each year navigating state and local regulations. Overlapping, potentially contradicting, and changing guidelines increase the complexity small businesses face while navigating legal and compliance requirements on their own.

The difficulty in staying current with compliance requirements can also result in high expenses for a small business. According to a 2017 NSBA Small Business Regulations Survey, 10% of small businesses in the United States are fined for regulatory non-compliance, with an average total cost of citations of nearly \$31,000 for regulatory non-compliance over a five-year period.

***There are structural impediments that make traditional offline attorneys unable to adapt to consumer behaviors and technology advancements.***

Traditional offline attorneys face significant challenges in creating a scaled technology platform. Attorneys cannot practice nationally without being licensed and regulated in each individual state, or limiting their practice exclusively to federal law. They also face numerous restrictions on the services they offer, how they advertise, their ability to work or partner with people who are not attorneys, and even receiving credit card payments. In addition, due to regulatory restrictions concerning law firm business models, offline attorneys are prohibited from offering equity to investors that are not law firms or attorneys and cannot offer equity to employees that are not attorneys. This results in a lack of available technical talent for significant investment in technology and innovation.

***Online adoption of legal services lags behind other comparable industries.***

While service industries like accounting, tax, marketing and payments have rapidly transitioned online, legal offerings largely remain offline. According to IBISWorld, approximately 8% of legal services in the United States were conducted online in 2020, compared to approximately 70% of financial services and, according to Ernst & Young, 30% to 45% of healthcare services. According to the American Bar Association, more than 40% of solo attorneys do not have a website.

Online penetration has lagged in the legal industry due to the incredible complexity of the U.S. legal and regulatory landscape, which makes it difficult for an online platform to gain scale with use cases that are applicable and tailored to each local jurisdiction.

***The gap between a small business owner's legal and compliance needs and available offline solutions is widening.***

The COVID-19 pandemic spurred new business formation and also highlighted the impact of policy and enforcement differences across local, regional and state levels. At the same time, the challenges associated with traditional offline “do it yourself” or “find an expert” options are becoming relatively worse as service level expectations increase as a result of small business enablement in other industries.

Technological advances are transforming consumer expectations for professional services. According to McKinsey, digital channels will help companies both meet changing customer needs and expectations and prepare for future industry disruption. The standard for digital convenience and efficiency, already high before the pandemic, has only increased.

**Our Market Opportunity**

We view our opportunity in terms of a \$48.7 billion serviceable addressable market, or SAM, which we believe we address today, and a larger total addressable market, or TAM, which we believe we can address over

the long term as we grow small business consumption of legal and compliance solutions. We primarily serve small businesses with up to 50 or fewer employees. In 2017, there were 31.7 million such businesses according to the U.S. Census Bureau. The small business market is dynamic, and we estimate that there are 4.4 million new business formations annually, based on our analysis of secretary of state filings.

Our SAM includes \$18.3 billion in services that small businesses use at the time of business formation, \$21.5 billion in services that small businesses use later in their lifetime, and \$8.8 billion of consumer estate planning services. We categorize our business formation and attach opportunity as total small business spending on business formation, registered agent and government filings, tax planning and bookkeeping/records, and intellectual property protection. We categorize our post-business formation opportunity as contracts, legal forms, and other legal matters and tax preparation. In spite of the benefits of third-party legal and compliance services, there is very little usage today by small businesses of external providers of these services.

We believe that our TAM could grow to be multiples of our SAM over the long term with increased usage of legal and compliance solutions by small businesses. By increasing access, we believe we will grow our market opportunity. Many small businesses are not aware of the various legal and compliance solutions that exist, or are daunted by the complexity and uncertainty of traditional solutions. We believe that we can address the needs of every small business with our simple, transparent, and affordable solution. Beyond our core legal and compliance solutions, our trusted relationship with small businesses gives us further opportunities to increase our TAM by adding adjacent services through third-party partnerships, in categories such as business insurance and financial planning.

### **Our Customer Journey**

Our first interaction with potential customers is often through our free proprietary educational content, through which we earn trust and drive significant organic traffic.

Typically, our small business customers' initial purchase is a business formation product that streamlines the process of starting a business. We use our technology platform to create a simple, user-friendly workflow that enables our customers to confidently form a business with just a few clicks. For many customers, getting real-time general information about the overall business entity formation process and our related products is an important benefit, so we provide care and sales support real time. As a result, our business formation products have a net promoter score, or NPS, over double that of traditional offline attorneys, who have an NPS of 25, helping us form a trusted relationship with small business owners. Based on this trusted relationship, during 2020 and the three months ended March 31, 2021, over 60% of our small business customers purchased one year of one of our subscription services at the time of their initial formation purchase, and over half of our small business customers purchased at least one third-party solution at time of business formation.

Our compliance solutions are our largest group of subscription services. Compliance regulation and process are often cumbersome to follow and difficult to understand. For example, in most states, small businesses are required to have a registered agent, which generally must be an adult or authorized business that can receive mail or hand-delivered court documents at a physical address during normal business hours. With our registered agent subscription, we serve as our customer's registered agent: accepting their documents through the mail, digitizing critical business documents, and alerting them of critical business documents or notices. This serves to help them adhere to critical tax and annual report deadlines, among other benefits. In this fashion, our compliance solutions simplify cumbersome processes and free up our customers' time to focus on their businesses.

Customers can freely access live help from our world class customer care and sales organization, while subscribers to our legal and tax advisory plans may consult with a vetted network of independent attorneys licensed in their jurisdiction to provide legal advice, or an accountant for tax advice. With these assisted subscription services, our customers get the benefit of a credentialed professional that can provide advice at an affordable cost. For example, with our business advisory plan, our customers get fast and ongoing legal support



from our independent network of attorneys for less than \$40 a month. A significant number of our customers purchase attorney advice subscriptions when starting their business, and we have seen strong traction with our tax advice subscriptions, which include advice from a CPA or enrolled agent, since its launch in late 2020.

The majority of our customers have not begun operations when they begin their relationship with LegalZoom, giving us a unique position in the business lifecycle. To help our customers operate, we partner with a variety of third-party solutions, such as business license services, bookkeeping services, banking services, productivity tools and business insurance, among others. We provide our customers with seamless introductions to trusted partners, giving them access to the critical services they need to operate and grow their business. In 2020 and the three months ended March 31, 2021, over half of our small business customers purchased at least one third-party solution.

We continue to engage our customers after their initial purchase of transaction products and subscription services. For example, after forming their business entity, our customers can opt to register their company name and/or logo as a trademark or protect their intellectual property with a patent or copyright. Additionally, as forming a company is an important life event, some of our small business customers opt to purchase an estate plan offering when they form their company. Our ongoing customer engagement results in additional purchases. For each year since 2017, an average of 28% of our U.S. customers who purchased a transaction in such year had also purchased a transaction product in a prior year.

### **Our Value Proposition**

Our offerings align with our mission of democratizing law and empowering small business owners to apply their energy and passion to their businesses instead of the legal and regulatory complexity required to operate them. We achieve this mission because our platform has:

**Simplicity: Streamlined approach to legal and compliance.** LegalZoom simplifies complicated legal and compliance processes, creating user-friendly experiences for customers. We offer extensive legal, compliance and tax information that anyone can freely access. Once customers decide to purchase a product, our platform removes the friction associated with filing documents with local, state, and federal regulators through an intuitive user-friendly questionnaire that guides customers through the process. Additionally, our products are reflective of our customers' evolving behaviors: almost half of our traffic is through mobile devices, and we have built a simple mobile responsive experience.

**Affordability: Accessible with fixed pricing.** We believe our platform is significantly more efficient when compared to traditional offline legal services, allowing us to offer solutions at transparent, flat-fee prices. Our business formation product starts at a flat fee of \$79, excluding state-imposed filing fees. We achieve this significant cost saving by automating aspects of the legal document production process and by utilizing customer care and fulfillment specialists to provide generalized help and only involve our independent attorney network and CPAs at the customer's request and where legally required.

**Trust: Confidence in quality.** Through over 20 years of delivering high-quality solutions, LegalZoom has built a brand associated with ease of use, transparency, and trusted quality. When small businesses come to LegalZoom to form their business and stay protected, they know they are receiving consistently high-quality, comprehensive services that will meet their needs. This trust is reflected in our NPS for small businesses, which is over double the score of traditional offline attorneys, and our NPS for our attorney network, which is roughly three times that of traditional offline attorneys. These product features are supplemented by our customer care and sales organization, with over 500 team members that are able to answer customers' general process questions in real time.

**Expertise: Credentialed professional-assisted solutions.** In instances where customers choose to engage a credentialed professional, our platform connects customers with independent attorneys in our network or in-house accountants. Our network of over 1,300 independent attorneys and 75 in-house tax advisors provides our users with access to legal and compliance support when they need it. Since 2011, our independent network of attorneys has provided over 611,000 individual consultations to small businesses and families.

**Breadth: Comprehensive product and partner ecosystem.** We have built a comprehensive product ecosystem that protects businesses, ideas and the families that create them. Our educational content and business formation products arm entrepreneurs at the start of their journeys, and our IP, compliance, attorney, and tax advisory subscriptions help small business owners as they run their businesses by protecting their ideas and ensuring they stay compliant. We supplement our products and services with a curated network of partnerships that customers can access through our platform, enabling our customers to discover additional services to run their businesses. We also offer a range of services for families including estate planning services, divorce, name change, residential leases, deed transfers and attorney subscription services.

### **Our Competitive Strengths**

**Leading legal platform.** We provide a leading online legal platform that helps small businesses form, protect their ideas, stay compliant and run their businesses. We helped form 378,000 businesses in 2020 and helped create 250,000 estate plan documents in 2020. In 2020, approximately 10% of new LLCs and 5% of new corporations were formed through LegalZoom. In addition, 25,000 trademark applications, or 6% of all trademark registration applications in the United States in 2020, were made through LegalZoom. At December 31, 2020, we had over 1.0 million subscription units outstanding and were one of the largest registered agent providers for small businesses in the United States. We have invested significantly to create a highly recognizable legal brand, online and offline, with aided brand awareness of 70% and unaided brand awareness of 25% as of December 2020, more than eight times our nearest online competitor.

**Proven ability to operate in a highly regulated market.** We have spent more than 20 years building a systematic understanding of many aspects of the U.S. legal system, across 50 states and over 3,000 counties. There is a wide variety of individual statutes and requirements across the United States, making it difficult for small businesses and consumers to fulfill their legal obligations. We have filed millions of documents on behalf of our customers with various county and state agencies in the United States. Since we are a large filer of business formation and other documents with these agencies, our fulfillment teams have direct relationships with many of them and interact with many of these agencies every business day. Our compliance platform allows our customers to stay focused on running their businesses, while we help them manage the ever changing regulations and filing deadlines. Our compliance database tracks rules and deadlines across multiple jurisdictions and our platform provides notifications of rule changes and deadlines to our customers. In 2020, we sent approximately seven million notifications to our customers.

**Attorney integration.** Most people prefer the comfort of knowing an attorney is available to help them with their legal needs, even if on an as-needed basis. However, most other online providers are either positioned purely as self-help with no access to attorney advice, or for those who do provide access, it is often a service connecting customers to attorneys with limited integration of the network to ensure consistent service quality. Offering attorney advice nationally through a legal plan, as we do, requires significant initial and ongoing investment, including: sourcing law firms and attorneys licensed in each state; ensuring such plans are acceptable to state regulatory agencies with varying rules; and keeping up with the administration of the plan. It took LegalZoom seven years from service inception to offer 50-state coverage through our network of independent attorneys.

**Unique position within small business lifecycle.** Given our unique position at business inception, we are typically the first business advisor a small business interacts with. In 2020, approximately two-thirds of the small businesses that formed through LegalZoom had not even begun operations when they first engaged with us. Before a small business has employees, an address or a website, they have LegalZoom. By delivering quality business formation solutions, we are able to establish trust with small businesses, who then frequently trust us with other critical needs as well. We have leveraged this trust to extend our legal and compliance product portfolio over time, through both first-party solutions such as tax, given that, based on customer surveys, we estimate that approximately 70% of small business owners that sought a tax accountant did not have one at the time of their entity formation, as well as our partner ecosystem, where we recommend third-party partners to our customers.

**Authority in educational legal and compliance content for small businesses.** Our content library serves as a funnel for new customers. Our customers often interact with our educational content before making a purchase. We have grown our content library to thousands of educational articles across our services and established ourselves as a trusted source of expertise before a potential customer even begins seeking access to legal and compliance care.

**Our technology platform.** We have invested significantly since our inception in building proprietary technology that drives quality and efficiency on our platform. We use software to simplify the many archaic and last mile processes that are involved in processing formations at the state level. We deploy machine learning and natural language processing to power our registered agent offering. We consistently improve our technology platform, resulting in improved document generation, increased automation, and increased use of the cloud to enable digital collaboration. In addition, we have developed a highly accurate database of millions of business entities we have helped form. Over time, we have collected over 1.5 billion answers as part of the user-friendly questionnaires our customers complete as part of their experience with our products. We are able to leverage this data, in accordance with relevant privacy laws and our data stewardship principles, to understand new products that may be relevant to our customers and optimize our operations. We also use APIs to seamlessly integrate our formation products within third-party applications, further extending our platform reach.

**Attractive business model.** Our financial performance is a result of attracting new customers and delivering more value over time for customers as they stay on our platform. Our unique position at business formation allows us to grow our relationships with our small business customers as their businesses evolve. We have expanded our solutions to meet more of these needs, and have seen consistent lifetime value improvement over time. Given our efficient customer acquisition dynamics, we are able to profitably acquire new customers as we pursue our massive market opportunity. We have built a profitable and cash flow generative business, given this customer acquisition efficiency, economies of scale and favorable working capital dynamics.

### **Our Growth Strategy**

We are in the early days of penetrating and growing the online market for small business legal and compliance services. We expect to continue to grow our customer base, retain and expand our customer relationships, and increase our market opportunity with the following strategies.

**Grow our customer base.** We continue to grow the top of our funnel and improve our customer experience in order to grow our customer base. To accelerate growth, we intend to:

- **Increase LegalZoom brand awareness.** We intend to continue to invest in our brand to increase awareness of the protection that legal and compliance services offer small businesses, and the ease and affordability of our platform.
- **Improve conversion.** We have millions of visitors to our website each month and a large opportunity to increase conversion of prospects into customers. We have invested in improving ease of use and optimizing the checkout flow to drive better conversion upon the first interaction with potential customers.
- **Attract new customers through partner integration.** We partner with leading players that can help our small business customers and improve our ecosystem. Through our APIs, our partners can offer our solutions within their experience, providing us with a highly efficient customer acquisition channel. We will continue to seek partner integrations to increase awareness of our brand and to grow our customer base.

**Retain and expand our customer relationships following formation.** As we innovate for small businesses, we aim to become their trusted partner for life. In order to do this, we intend to:

- **Launch adjacent services.** Our strategy is to meaningfully expand our product line in the medium term to offer a solution for the majority of small business legal and compliance needs. We have collected a

vast amount of data in the past 20+ years to both improve our own solutions as well as identify additional areas where we can launch new products for our customers throughout their lifetime. For example, in 2020, we introduced a tax advisory product. We plan on continuing to invest in a broader array of services to capture this opportunity.

- **Partner to offer our customers broader ecosystem solutions.** We plan to offer additional access to third-party solutions to further support small business needs in areas such as banking, payments, payroll, accounting, and website hosting. In 2020, two-thirds of our new customers had not yet started their businesses when they first engaged with us. We believe that by working with our partners, we can increase our customer engagement and retention.
- **Increase customer lifetime value.** We plan to continue to improve the lifetime value of our customers, particularly by increasing retention of our small business subscribers. We plan to maintain engagement post-purchase with additional investments in existing solutions, add new solutions to serve additional needs, and improve lifecycle marketing to increase retention rates. Through these initiatives, we plan to better monetize our existing customers by allowing them to realize continued value on our platform over time.

**Increase our market opportunity by introducing a new tier of higher-priced, higher-value products.** We have a large opportunity to serve customer demand by offering assistance with their legal and compliance needs.

- **Broaden customer top of funnel.** We aim to reduce peoples' uncertainty and doubt about forming a business on their own, as well as to expand our opportunity to serve people who would not consider a "do it yourself" solution. We expect to continue to broaden the top of the funnel consideration for LegalZoom by highlighting our attorney integration. We believe the "assisted" market is multiples larger than the "do it yourself" market that we have historically served, because expertise increases customer confidence.
- **Increase adoption of assisted offerings.** We plan to provide more value to our customers from existing product lines by adding a tier of Attorney Assist solutions. In June 2020, our "Attorney Assist" product for trademarks became widely available, and we have seen higher average order value, or AOV, and more orders, over time, as customers value the ability to work directly with attorneys. Solutions that incorporate an attorney have higher completion rates. We plan to continue to expand our credentialed professional-assisted offerings to complement our technology-enabled solutions.

#### Summary of Risk Factors

Our business is subject to numerous risks and uncertainties, as discussed more fully in the section titled "Risk Factors" immediately following the prospectus summary. You should carefully consider these risks before making an investment in our common stock. Some of these risks include:

- Our recent growth may not be indicative of our future growth and, if we continue to grow, we may not be able to manage our growth effectively.
- If we are unable to sustain our revenue growth rate, we may not maintain profitability in the future.
- Our future quarterly results of operations may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.
- We have a history of net losses, we anticipate increasing expenses in the future, and we may not be able to maintain profitability.
- If we fail to provide high-quality services, customer care and customer experience and add new services that meet our customers' expectations, we may not be able to attract and retain customers.
- If we do not continue to innovate and provide a platform that is useful to our customers, we may not remain competitive, and our results of operations could suffer.

- Our business depends on business formations.
- Our subscription services are highly dependent upon our transaction products.
- Our business depends substantially on our subscribers renewing their subscriptions with us and expanding their use of our platform.
- Our business depends on our ability to drive additional purchases and cross-sell to paying customers.
- The legal solutions market is highly competitive.
- We depend on top talent, including our senior management team, to grow and operate our business, and if we are unable to hire, retain and motivate our employees, we may not be able to grow effectively, which may adversely affect our business and future prospects.
- Our business and success depend in part on our strategic relationships with third parties, including our partner ecosystem, and our business would be harmed if we fail to maintain or expand these relationships.
- Our business and services subject us to complex and evolving U.S. and foreign laws and regulations regarding the unauthorized practice of law, legal document processing, legal plans, and other related matters.
- We have identified material weaknesses in our internal control over financial reporting and, if we fail to remediate these material weaknesses, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence and the price of our common stock.

### **Corporate Information**

We were initially formed as a California corporation in July 1999, we commenced operations in 2000 and we converted to a Delaware corporation in February 2007. Our principal executive offices are located at 101 North Brand Boulevard, 11<sup>th</sup> Floor, Glendale, California 91203, and our telephone number at this address is (323) 962-8600. Our corporate website is [www.legalzoom.com](http://www.legalzoom.com). Information contained on, or that can be accessed through, our websites shall not be deemed incorporated into and is not a part of this prospectus or the registration statement of which it forms a part. We have included our website in this prospectus solely as an inactive textual reference.

LegalZoom, the LegalZoom.com logo and other LegalZoom-formative marks are trademarks of LegalZoom.com, Inc. in the United States or other countries. This prospectus also includes other trademarks of LegalZoom.com, Inc. and trademarks of other persons, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbols, but that does not mean that we will not assert, to the full extent permitted by law, our rights to any such trademarks owned by us.

### **Implications of Being an Emerging Growth Company**

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. We may take advantage of certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm under Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions for up to five years or until we are no longer an emerging growth company, whichever is earlier. We will cease to be an emerging growth company prior to the end of such five-year period if certain earlier events occur, including if we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, our annual gross revenues exceed \$1.07 billion or we issue more than \$1.0 billion of non-convertible debt in any three-year period. In particular, in this prospectus, we have provided only

two years of audited financial statements and have not included all of the executive compensation related information that would be required if we were not an emerging growth company. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock. In addition, the JOBS Act provides that an “emerging growth company” can delay adopting new or revised accounting standards until those standards apply to private companies. We have elected to use the extended transition period under the JOBS Act. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

<b>The Offering</b>	
Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Option to purchase additional shares of common stock	We and the selling stockholders have granted the underwriters an option to purchase up to an aggregate of                      shares from us and shares from the selling stockholders.
Total common stock to be outstanding after this initial public offering	shares (                      shares if the underwriters exercise their option to purchase additional shares from us in full)
Use of proceeds	<p>We estimate that the net proceeds from this offering will be approximately \$ million (or approximately \$ million if the underwriters exercise in full their option to purchase up to                      additional shares of common stock from us), based on an assumed initial public offering price of \$                      per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.</p> <p>The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and facilitate our future access to the public capital markets. We currently intend to use the net proceeds to us from this offering primarily (1) to repay \$                      million of the outstanding indebtedness under our \$535.0 million term loan, or the 2018 Term Loan, and (2) for general corporate purposes, including working capital, operating expenses and capital expenditures. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, businesses, products, services or other assets that complement our business or operations, although we have no present commitments or agreements to enter into any acquisitions or investments. See the section titled "Use of Proceeds" for more information.</p>
Risk factors	You should read the section titled "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Proposed Nasdaq trading symbol	"LZ"

The total number of shares of common stock to be outstanding after this offering is based on \_\_\_\_\_ shares of common stock outstanding as of March 31, 2021, and excludes:

- 14,952,784 shares of common stock issuable upon the exercise of outstanding options as of March 31, 2021, granted pursuant to our 2016 Stock Incentive Plan, or 2016 Plan, at a weighted-average exercise price of \$8.93 per share;
- \_\_\_\_\_ shares of common stock issuable upon the settlement of restricted stock units, or RSUs, outstanding as of March 31, 2021, granted pursuant to our 2016 Plan, that would not have satisfied the market vesting conditions or service-based vesting conditions as of March 31, 2021, which excludes 55,358 shares of common stock issuable pursuant to RSUs that would have satisfied the service-based vesting condition as of March 31, 2021;
- 504,487 shares of common stock issuable upon the settlement of RSUs granted between March 31, 2021 and May 17, 2021, granted pursuant to our 2016 Plan;
- \_\_\_\_\_ shares of our common stock reserved for future issuance under our 2021 Equity Incentive Plan, or 2021 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future automatic annual increases in the number of shares of common stock reserved for issuance under our 2021 Plan; and
- \_\_\_\_\_ shares of our common stock reserved for future issuance under our 2021 Employee Stock Purchase Plan, or ESPP, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future automatic annual increases in the number of shares of common stock reserved for issuance under our ESPP.

Unless otherwise stated, information in this prospectus (except for the historical financial statements) assumes:

- the filing and effectiveness of our amended and restated certificate of incorporation immediately after the completion of this offering and the adoption of our amended and restated bylaws immediately prior to the completion of this offering;
- the automatic conversion of all 23,081,080 shares of our outstanding redeemable convertible preferred stock as of March 31, 2021 into an aggregate of 46,162,160 shares of our common stock upon the completion of this offering;
- no exercise or cancellation of outstanding options and no settlement or cancellation of RSUs subsequent to March 31, 2021, other than (1) the vesting of 55,358 RSUs, for which the service-based condition was satisfied as of March 31, 2021 and for which the performance-based vesting condition will be satisfied upon the effective date of the registration statement of which this prospectus is a part, net of \_\_\_\_\_ shares surrendered for withholding taxes (based on an assumed \_\_\_\_\_ % tax withholding rate) and (2) the vesting of \_\_\_\_\_ RSUs, for which the performance-based vesting condition will be satisfied upon the effective date of the registration statement of which this prospectus is a part, net of \_\_\_\_\_ shares surrendered for withholding taxes (based on an assumed \_\_\_\_\_ % tax withholding rate); and
- no exercise by the underwriters of their option to purchase up to an additional \_\_\_\_\_ shares of common stock from us and up to an additional \_\_\_\_\_ shares of common stock from the selling stockholders in this offering.



## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our historical consolidated financial and other data. You should read this summary consolidated financial and other data in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated statements of operations data for the years ended December 31, 2019 and 2020 have been derived from our consolidated financial statements included elsewhere in this prospectus. The summary consolidated statements of operations data for the three months ended March 31, 2020 and 2021 and the summary consolidated balance sheet data as of March 31, 2021 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements, and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to fairly state our financial position and results of operations. The summary consolidated financial and other data in this section are not intended to replace our annual and interim consolidated financial statements and the related notes and are qualified in their entirety by our annual and interim consolidated financial statements and the related notes included elsewhere in this prospectus.

Our historical results are not necessarily indicative of the results that may be expected in the future.

	Year		Three Months	
	Ended December 31, 2019	2020	2020	2021
	(in thousands, except per share data)			
Revenue <sup>(1)</sup>	\$ 408,380	\$ 470,636	\$ 105,795	\$ 134,632
Cost of revenue <sup>(2)(3)</sup>	136,915	154,563	35,112	43,960
Gross profit	271,465	316,073	70,683	90,672
Operating expenses:				
Sales and marketing <sup>(2)(3)</sup>	115,913	171,390	43,481	71,361
Technology and development <sup>(2)(3)</sup>	37,204	41,863	10,543	10,499
General and administrative <sup>(2)(3)</sup>	57,762	51,017	12,661	13,165
Impairment of goodwill, long-lived and other assets	14,321	1,105	555	—
Loss on sale of business	—	1,764	—	—
Total operating expenses	225,200	267,139	67,240	95,025
Income (loss) from operations	46,265	48,934	3,443	(4,353)
Interest expense, net	(38,559)	(35,504)	(9,270)	(8,654)
Other income (expense), net	2,577	3,713	(1,106)	248
Impairment of available-for-sale debt securities	—	(4,818)	—	—
Income (loss) before income taxes and income from equity method investment	10,283	12,325	(6,933)	(12,759)
Provision for (benefit from) income taxes	3,161	2,429	(2,055)	(2,936)
Income (loss) before income from equity method investment	7,122	9,896	(4,878)	(9,823)
Income from equity method investment	321	—	—	—
Net income (loss)	<u>\$ 7,443</u>	<u>\$ 9,896</u>	<u>\$ (4,878)</u>	<u>\$ (9,823)</u>
Net income (loss) attributable to common stockholders—basic	\$ 5,422	\$ 7,223	\$ (4,878)	\$ (9,823)
Net income (loss) attributable to common stockholders—diluted	<u>\$ 5,476</u>	<u>\$ 7,262</u>	<u>\$ (4,878)</u>	<u>\$ (9,823)</u>
Net income (loss) per share attributable to common stockholders—basic	\$ 0.04	\$ 0.06	\$ (0.04)	\$ (0.08)
Net income (loss) per share attributable to common stockholders—diluted	<u>\$ 0.04</u>	<u>\$ 0.06</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders—basic <sup>(4)</sup> :	123,826	124,709	124,411	125,065
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders—diluted:	<u>128,546</u>	<u>127,259</u>	<u>124,411</u>	<u>125,065</u>

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
(in thousands, except per share data)				
Pro forma net income per share (unaudited) <sup>(5)</sup>				
Basic				\$
Diluted				\$
Pro forma weighted-average shares used to compute pro forma net income per share (unaudited) <sup>(5)</sup> :				
Basic				
Diluted				
<b>Consolidated Statements of Cash Flows Data:</b>				
Net cash provided by operating activities	\$ 52,695	\$ 93,049	\$ 21,889	\$ 31,415
Net cash used in investing activities	(20,717)	(12,727)	(1,988)	(2,911)
Net cash (used in) provided by financing activities	(12,852)	(15,089)	36,589	(1,834)

(1) Comprises transaction, subscription and partner revenue as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
(in thousands)				
Transaction	\$ 168,305	\$ 212,114	\$ 45,586	\$ 61,388
Subscription	206,447	229,840	54,235	65,493
Partner	33,628	28,682	5,974	7,751
Total revenue	\$ 408,380	\$ 470,636	\$ 105,795	\$ 134,632

See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Components of our Results of Operations” for a description of our sources of revenue.

(2) Includes stock-based compensation expense as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
(in thousands)				
Cost of revenue	\$ 205	\$ 177	\$ 37	\$ 59
Sales and marketing	1,020	1,122	643	207
Technology and development	1,314	2,703	950	526
General and administrative	4,170	9,719	2,697	3,150
Total stock-based compensation expense	\$ 6,709	\$ 13,721	\$ 4,327	\$ 3,942

- (3) Includes depreciation and amortization expense for our property and equipment, including capitalized internal-use software, and intangible assets as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2021	2021
	(in thousands)			
Cost of revenue	\$ 6,773	\$ 8,324	\$ 1,958	\$ 1,678
Sales and marketing	6,469	6,913	1,849	1,475
Technology and development	1,055	2,800	650	587
General and administrative	2,093	2,060	463	426
Total depreciation and amortization expense	<u>\$ 16,390</u>	<u>\$ 20,097</u>	<u>\$ 4,920</u>	<u>\$ 4,166</u>

- (4) See Note 2 and Note 3 to our annual consolidated financial statements and Note 9 to our interim condensed consolidated financial statements included elsewhere in this prospectus for an explanation of the methods used to compute basic and diluted net income per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts.
- (5) The pro forma net income per share (unaudited) and the pro forma weighted-average shares used to compute pro forma net income per share (unaudited) give effect to (1) the automatic conversion of all 23,081,080 outstanding shares of redeemable convertible preferred stock into an aggregate 46,162,160 shares of common stock as if the conversion occurred on January 1, 2020, (2) the sale of such number of shares of common stock at the assumed initial public offering price of \$ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, as would be necessary for the repayment of \$ million of outstanding indebtedness under the 2018 Term Loan after the completion of this offering, (3) the reversal of interest expense of \$ relating to such debt repaid as if the repayment occurred on January 1, 2020, net of the estimated income tax effect using a blended statutory income tax rate of %, and (4) additional stock-based compensation expense of approximately \$ million, net of estimated income tax effect using a blended statutory income tax rate of %, associated with certain options and RSUs for which the performance condition is satisfied upon the completion of this offering, assuming the offering occurred on January 1, 2020. The pro forma weighted-average shares used to compute pro forma net income per share (unaudited) also gives effect to the weighted-average shares related to certain RSUs containing service, performance and market vesting conditions, as if such conditions were satisfied and the settlement had occurred as of January 1, 2020, or the date of issuance, if later, net of shares surrendered for withholding taxes (based on an assumed % tax withholding rate).

*Unaudited Pro Forma Net Income Per Share*

The following table sets forth the computation of our unaudited pro forma basic and diluted net income per share of common stock:

	Year Ended December 31, 2020	Three Months Ended March 31, 2021
	(in thousands, except per share data)	
<b>Numerator:</b>		
Net income (loss)	\$ 9,896	\$ (9,823)
Add: Pro forma adjustment to reverse interest expense, net of taxes of \$		
Less: Pro forma adjustment to record stock-based compensation expense for awards for which the performance condition is satisfied upon this offering, net of taxes of \$		
Pro forma net income (loss)—basic and diluted	<u>\$</u>	<u>\$</u>
<b>Denominator:</b>		
Weighted-average common stock outstanding—basic	124,709	125,065
Add: Pro forma adjustment to reflect assumed conversion of redeemable convertible preferred stock	46,162	46,162
Add: Pro forma adjustment for the number of shares necessary for the repayment of \$ of our 2018 Term Loan		
Add: Pro forma adjustment to reflect the settlement of RSUs upon this offering, net of withholding taxes		
Weighted-average shares used in computing basic pro forma net income (loss) per share	<u>                    </u>	<u>                    </u>
Effect of potentially dilutive securities	<u>                    </u>	<u>                    </u>
Weighted-average shares used in computing diluted pro forma net income (loss) per share	<u>                    </u>	<u>                    </u>
Pro forma net income (loss) per share:		
Basic	<u>\$</u>	<u>\$</u>
Diluted	<u>\$</u>	<u>\$</u>

	As of March 31, 2021		Pro Forma as Adjusted <sup>(3)</sup>
	Actual	Pro Forma <sup>(2)</sup>	(4)
	(in thousands)		
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 141,175	\$	\$
Working (deficit) capital <sup>(1)</sup>	(76,510)		
Restricted cash equivalent	25,000		
Property and equipment, net	50,361		
Total assets	284,809		
Long-term debt, net of current portion	511,594		
Total liabilities	767,523		
Redeemable convertible preferred stock	70,906		
Total stockholders' (deficit) equity	(553,620)		

- (1) Working (deficit) capital is defined as current assets less current liabilities. See our consolidated financial statements and the accompanying notes included elsewhere in this prospectus for further details regarding our current assets and current liabilities.
- (2) The pro forma consolidated balance sheet data gives effect to (1) the automatic conversion of all 23,081,080 outstanding shares of redeemable convertible preferred stock into an aggregate 46,162,160 shares of common stock and the related reclassification of the carrying value of the redeemable convertible preferred stock to stockholders' deficit upon the completion of this offering, (2) additional stock-based compensation expense of approximately \$ million associated with certain options and RSUs for which the performance condition is satisfied upon the completion of this offering, assuming the offering occurred on March 31, 2021, recorded as an increase to additional paid-in capital and accumulated deficit, (3) the vesting and settlement of RSUs outstanding as of March 31, 2021, net of shares surrendered for withholding taxes (based on an assumed % tax withholding rate), that will vest upon the completion of this offering, and (4) the lapse of the restriction on \$25.0 million of our restricted cash equivalent upon the repayment of a personal loan by a former executive prior to the completion of this offering. See the section titled "Certain Relationships and Related Persons Transactions—John Suh Line of Credit."

- (3) The pro forma as adjusted consolidated balance sheet data gives effect to (1) the pro forma adjustments described in footnote (2) above, (2) the sale of shares of common stock in this offering by us at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (3) the repayment of \$ \_\_\_\_\_ million of outstanding indebtedness under the 2018 Term Loan after the completion of this offering.
- (4) Pro forma as adjusted consolidated balance sheet data is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted cash and cash equivalents, working (deficit) capital, total assets and total stockholders' deficit by \$ \_\_\_\_\_ million, assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) our pro forma as adjusted cash and cash equivalents, working (deficit) capital, total assets and total stockholders' deficit by approximately \$ \_\_\_\_\_ million, assuming the assumed initial public offering price of \$ \_\_\_\_\_ per share remains the same, and after deducting estimated underwriting discounts and commissions payable by us.

### Key Business Metrics

We regularly monitor a number of financial and operating metrics, including the following key business metrics, in order to evaluate the growth of our business, measure the effectiveness of our marketing efforts, identify trends, formulate financial forecasts and make strategic decisions. For a further description of how we use these financial and operating metrics, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Business Metrics."

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
	(dollars in thousands, except average values)			
Revenue	\$408,380	\$470,636	\$105,795	\$134,632
Number of business formations <sup>(1)</sup>	292	378	81	122
Number of transactions <sup>(2)</sup>	691	892	210	276
Average order value <sup>(3)</sup>	\$ 230	\$ 236	\$ 210	\$ 223
Number of subscription units at period end <sup>(4)</sup>	921	1,085	936	1,146
Average revenue per subscription <sup>(5)</sup>	\$ 221	\$ 223	\$ 226	\$ 226
Net income (loss)	\$ 7,443	\$ 9,896	\$ (4,878)	\$ (9,823)
Net income (loss) margin <sup>(6)</sup>	1.8%	2.1%	(4.6)%	(7.3)%
Adjusted EBITDA <sup>(7)(9)</sup>	\$ 97,157	\$ 87,975	\$ 13,354	\$ 3,599
Adjusted EBITDA margin <sup>(7)(9)</sup>	23.8%	18.7%	12.6%	2.7%
Net cash provided by operating activities	\$ 52,695	\$ 93,049	\$ 21,889	\$ 31,415
Free cash flows <sup>(8)(9)</sup>	\$ 34,346	\$ 82,462	\$ 19,901	\$ 28,504

- (1) We define the number of business formations in a given period as the number of global LLC, incorporation, not-for-profit and other formation orders placed on our platform in such period.
- (2) We define the number of transactions in a given period as gross transaction order volume, prior to refunds, on our platform during such period, excluding transactions from our subsidiary, Beaumont ABS Limited, which was divested in April 2020. Refunds, or partial refunds, may be issued under certain circumstances pursuant to the terms of our customer satisfaction guarantee.
- (3) We define average order value for a given period as total transaction revenue divided by total number of transactions in such period, excluding revenue and related transactions from our subsidiary, Beaumont ABS Limited, which was divested in April 2020.
- (4) We define the number of subscription units in a given period as the paid subscriptions that remain active at the end of such period, excluding subscriptions from our employer group legal plan and small business concierge subscription service, which we ceased acquiring new subscribers in October 2020.
- (5) We define average revenue per subscription unit, or ARPU, as of a given date as subscription revenue for the 12-month period ended on such date, or LTM, divided by the average number of subscription units at the beginning and end of the LTM period, excluding revenue and subscription units from our employer group legal plan and small business concierge subscription services, which we ceased acquiring new subscribers in October 2020.

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- (6) We define net income (loss) margin as net income (loss) as a percentage of revenue.
- (7) We define Adjusted EBITDA as net income adjusted to exclude interest expense, net, provision for income taxes, depreciation and amortization, other income, net, stock-based compensation, losses from impairments of goodwill, long-lived and other assets, impairments of available-for-sale debt securities, acquisition related expenses, restructuring expenses, legal reserves and settlements, and certain other non-recurring expenses. We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of revenue.
- (8) We define free cash flow as cash generated by operations after purchases of property and equipment including capitalized internal-use software. For 2019, 2020 and the three months ended March 31, 2020 and 2021, we also made interest payments of \$37.3 million, \$27.9 million, \$8.3 million and \$6.1 million on our 2018 Term Loan, respectively.
- (9) Adjusted EBITDA, Adjusted EBITDA margin and free cash flow are not financial measures calculated in accordance with GAAP. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for explanations of how we calculate these measures, the issues inherent in their use, why we consider them important for analyzing our business and for reconciliations to their most directly comparable GAAP financial measures.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus, before deciding whether to invest in our common stock. If any of the following risks occur, our business, results of operations, financial condition and future prospects could be harmed. In that event, the price of our common stock could decline, and you could lose part or all of your investment.*

### **Risks Relating to Our Business and Industry**

***Our recent growth may not be indicative of our future growth and, if we continue to grow, we may not be able to manage our growth effectively.***

We have experienced, and continue to experience, growth in operations and headcount, which has placed, and will continue to place, significant demands on our management team and our administrative, operational and financial infrastructure. In particular, the number of transactions processed grew from 691,000 transactions in 2019 to 892,000 in 2020, and from 210,000 to 276,000 in the three months ended March 31, 2020 and 2021, respectively. Our number of subscription units increased from 921,000 at December 31, 2019 to 1,085,000 at December 31, 2020, and from 936,000 at March 31, 2020 to 1,146,000 at March 31, 2021. We have also significantly increased the size of our customer base over the last several years. We anticipate that we will continue to expand our operations and headcount in the near term. Our success will depend in part on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, and maintain the beneficial aspects of our corporate culture. To attract top talent, we have had to offer, and believe we will need to continue to offer, highly competitive compensation packages before we can validate the productivity of those employees. Failure to effectively manage our growth could result in difficulty or delays in providing services to customers, declines in service quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties. Any of these difficulties could adversely impact our brand and reputation, business, results of operations, financial condition or future prospects.

Our growth also makes it difficult to evaluate future prospects. Our ability to forecast our future operating results is subject to a number of uncertainties, including our ability to plan for and model future growth. If our assumptions regarding these uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in our markets, or if we do not address these uncertainties successfully, our results of operations and financial condition could differ materially from our expectations, our business could suffer and the trading price of our stock may decline.

***If we are unable to sustain our revenue growth rate, we may not maintain profitability in the future.***

From 2019 to 2020, our revenue grew from \$408.4 million to \$470.6 million, which represents an annual growth rate of 15.2%, and from \$105.8 million to \$134.6 million in the three months ended March 31, 2020 and 2021, respectively, which represents a growth rate of 27.3%. Although our revenue growth rate has increased in certain recent periods, even if our revenue increases in the future to higher levels on an absolute basis, our revenue growth rate may decline. As we grow our business, our revenue growth rate may slow in future periods due to a number of reasons. Any success that we may experience in the future will depend in large part on our ability to, among other things:

- maintain and expand our customer base;
- increase revenue from existing customers through increased or broader use of our services;
- provide high-quality services to customers;
- improve the performance and capabilities of our services through research and development;

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- develop new services;
- maintain the rate at which customers purchase our subscriptions;
- identify and acquire or invest in new businesses, products or technologies that we believe could complement or expand our platform;
- continue to successfully expand our business; and
- successfully compete with other companies.

If we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to maintain profitability. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth.

***Our future quarterly results of operations may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.***

Our revenue and results of operations have historically varied from period to period, and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control, including:

- the number of business formations;
- the level of demand for our services;
- the rate of renewal of subscriptions with, and extent of sales of additional subscriptions to, existing customers;
- customers failing to renew their subscriptions;
- the size, timing and terms of our subscription agreements with existing and new customers;
- the timing and growth of our business, in particular through our hiring of new employees;
- changes in stock-based compensation expenses;
- the timing of our adoption of new or revised accounting pronouncements and the impact on our results of operations;
- the introduction of new products and product enhancements by existing competitors or new entrants into our market, and changes in pricing for solutions offered by us or our competitors;
- network outages, security breaches, technical difficulties or interruptions with our platform;
- changes in the growth rate of the markets in which we compete;
- the mix of subscriptions and services sold during a period;
- customers delaying purchasing decisions in anticipation of new developments or enhancements by us or our competitors or otherwise;
- changes in customers' budgets;
- seasonal variations related to sales and marketing and other activities;
- our ability to attract new customers or retain existing customers;
- our ability to increase, retain and incentivize the strategic partners that market and sell our platform;
- our ability to control costs, including our operating expenses;
- our ability to hire, train and maintain our customer care specialists and direct sales force;
- unforeseen litigation, regulatory actions, and intellectual property infringement claims;
- the rate of failure for small businesses;



- changes in governmental or other regulations affecting our business;
- variations in our provision for income taxes, which may be affected by the mix of income we earn in the United States and in jurisdictions with comparatively lower tax rates, the effects of stock-based compensation, the effects of changes in our business, and the impact of changes in tax laws or judicial or regulatory interpretations of tax laws;
- adverse economic and market conditions, such as those related to the current COVID-19 pandemic, currency fluctuations, and adverse global events; and
- general economic and political conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers operate.

Fluctuations in our quarterly operating results and the price of our common stock may be particularly pronounced in the current economic environment due to the uncertainty caused by the current COVID-19 pandemic and its potential future impact on consumer spending patterns, the success of small businesses and the formation of new small businesses, as well as the impacts of the reopening of the offline economy and lessening of restrictions on movement and travel. For example, starting in the second quarter of 2020, we saw tailwinds driven by the COVID-19 pandemic as individuals and small businesses turned to online services given the relative inaccessibility of offline alternatives. Fluctuations in our quarterly operating results may cause those results to fall below our financial guidance or other projections, or the expectations of analysts or investors, which could cause the price of our common stock to decline. Fluctuations in our results could also cause a number of other problems. For example, analysts or investors may change their models for valuing our common stock, particularly post-pandemic, we could experience short-term liquidity issues, our ability to retain or attract key personnel may diminish, and other unanticipated issues may arise.

We believe that our quarterly operating results may vary in the future and that period-to-period comparisons of our operating results may not be meaningful. For example, our overall historical growth rate and the impacts of the COVID-19 pandemic may have overshadowed the effect of seasonal variations on our historical operating results. Any seasonal effects may change or become more pronounced over time, which could also cause our operating results to fluctuate. You should not rely on the results of any given quarter as an indication of future performance.

***We have a history of net losses, we anticipate increasing expenses in the future, and we may not be able to maintain profitability.***

Since inception, we have incurred an accumulated deficit and may incur net losses in the foreseeable future. We generated net income of \$7.4 million and \$9.9 million for the years ended December 31, 2019 and 2020, respectively, and net losses of \$4.9 million and \$9.8 million for the three months ended March 31, 2020 and 2021, respectively. At March 31, 2021, we had an accumulated deficit of \$649.2 million.

We will need to generate and sustain increased revenue levels in future periods in order to maintain or increase our level of profitability. We expect our operating expenses to increase in the future as we expand our operations. Furthermore, as a public company, we will incur additional legal, accounting and other expenses that we did not incur as a private company. If our revenue and gross profit do not continue to grow at a greater rate than our operating expenses, we will not be able to maintain or increase profitability. We may incur significant losses in the future for a number of reasons, including without limitation the other risks and uncertainties described herein. Additionally, we may encounter unforeseen operating or legal expenses, difficulties, complications, delays and other factors that may result in losses in future periods. If our expenses exceed our revenue, we may not maintain profitability and our business may be harmed.

***If we fail to provide high-quality services, customer care and customer experience and add new services that meet our customers' expectations, we may not be able to attract and retain customers.***

In order to increase revenue and maintain profitability, we must attract new customers and retain existing customers. The rate at which new and existing customers purchase and renew subscriptions to our services

depends on a number of factors, including those outside of our control. The quality and value of our services, customer care and customer experience, as well as the quality and accuracy of the services provided by our accountants and the independent attorneys who participate in our and our partner's networks, are critical to our ability to attract and retain customers.

We have made substantial investments in developing our websites, mobile platform, legal documents, educational content, customer relationship management, automated supply chain and fulfillment, integrated digital workflow management and other dynamic online processes that comprise our online legal platform to improve the quality of our services, customer care and customer experience. We also intend to add new services and enhance our existing product and services. For example, in October 2020, we introduced LZ Tax, a LegalZoom fulfilled tax advisory service. We may fail to attract new customers or lose existing customers if these or future development efforts or services fail to meet changing customer preferences on a timely basis or if the independent attorneys who participate in our legal services plan, or legal plan, or the tax experts who complete the tax preparation services in our network fail to provide accurate, high-quality services, customer care and customer experience. In addition, larger enterprises may demand more support services and features, which puts additional pressure on us to satisfy the increased support required for these customers. If we are unable to attract new customers or lose existing customers, our business, results of operations, financial condition and future prospects would be adversely affected.

Additionally, we offer many forms of documents on our platform, such as business formations and wills, that must comply with the latest local jurisdiction requirements. While we have never experienced defects that have resulted in material liability, if there is a defect in any of our forms, or if we fail to update our forms to comply with new or modified jurisdiction requirements, this could result in negative consequences to our customers, legal liability, harm our brand and adversely affect our business, results of operations, financial condition and future prospects.

The independent attorneys who participate in our legal plans and attorneys who fulfill our attorney assisted legal offerings, as well as accountants who fulfill our tax offering, are critical to the success of our business. The failure or perceived failure of these independent attorneys and accountants to satisfy customer expectations could impede our ability to attract and retain customers. Further, the independent attorneys who participate in our legal plans and attorneys who fulfill our attorney assisted legal offerings have duties both to the courts and their clients. These duties, including the associated responsibilities, such as confidentiality and the rules relating to the attorney-client and attorney work product privileges, are paramount. Although we have not experienced this problem to date, there could be circumstances in which the attorneys who participate in our network and fulfill the attorney assisted offerings believe that in order to comply with these duties they may have to act against the interests of our stockholders and the short-term profitability of our business.

In addition, because our platform is available over the internet or on mobile networks, we need to continually modify and enhance our platform to keep pace with changes in internet-related hardware, software, communications and database technologies and standards. If we are unable to respond in a timely and cost-effective manner to these rapid technological developments and changes in standards, our platform may become less marketable, less competitive, or obsolete, and our business, results of operations, financial condition and future prospects will be harmed. If new technologies emerge that are able to deliver competitive services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete. Our platform must also integrate with a variety of network, hardware, mobile, and software platforms and technologies, and we need to continually modify and enhance its services to adapt to changes and innovation in these technologies. Any failure of our platform to operate effectively with future infrastructure platforms and technologies could reduce the demand for our platform. If we are unable to respond to these changes in a cost-effective manner, our platform may become less marketable, less competitive or obsolete, and our business, results of operations, financial condition and future prospects may be adversely affected.

***If we do not continue to innovate and provide a platform that is useful to our customers, we may not remain competitive, and our results of operations could suffer.***

Our success depends on continued innovation to provide features that make our platform useful for our customers. We must continue to invest resources in technology and development in order to continually improve the simplicity and effectiveness of our platform. We may introduce significant changes to our platform or develop and introduce new and unproven services, including using technologies with which we have little or no prior development or operating experience. We have in the past invested resources and introduced new services that have failed to produce the customer interest that we expected, and we have since removed these services from our platform. If we are unable to continue offering innovative solutions or if new or enhanced solutions fail to engage our customers, we may be unable to attract additional customers or retain our current customers, which may adversely affect our business, results of operations, financial condition or future prospects.

***Our business depends on business formations.***

Our success significantly depends on business formations. The majority of our transaction revenue is generated by providing formation services to guide our customers through the transition from being aspiring business owners to actually launching their entities. In each of 2019 and 2020 as well as the three months ended March 31, 2020 and 2021, business formations represented the largest share of our total transaction orders. The number of business formations on our platform could decline or fluctuate as a result of a number of factors, including an overall decline in the number of U.S. business formations, an economic downturn, increased competition, regulatory obstacles, changes in law (including changes in tax laws and regulations) and dissatisfaction with our services. Any decline in the overall number of business formations or the number of business formations on our platform may adversely affect our business, results of operations, financial condition or future prospects.

***Our subscription services are highly dependent upon our transaction products.***

For the past few years, a significant amount of our revenue has been derived from our subscription services. In 2020 and the three months ended March 31, 2021, approximately 50% of our revenue came from subscriptions. Subscriptions have primarily originated from transactional customers who opted to become subscribers. However, we may not be able to predict whether sufficient numbers of our existing or new customers will continue to subscribe to our registered agent services, legal plans or other subscription services, or if they will continue to subscribe at the same rate. If we are unable to continue to convert our transactional customers to subscribers, our business, results of operations, financial condition and future prospects would be adversely affected.

***Our business depends substantially on our subscribers renewing their subscriptions with us and expanding their use of our platform.***

A large portion of our revenue stream comes from our subscriptions for small businesses and individuals. For us to maintain or improve our operating results, it is important that we retain our existing customers and that our subscribers renew their subscriptions with us when the existing subscription term expires. Our subscribers have no obligation to renew their subscriptions upon expiration, and we cannot assure you that subscribers will renew subscriptions at the same or higher level of service, if at all.

We cannot accurately predict renewal rates. Our retention rate may decline or fluctuate as a result of a number of factors, including subscribers' satisfaction or dissatisfaction with our platform, the effectiveness of our customer support services, the quality and perceived quality of the services provided by our tax professionals and the independent attorneys who participate in our legal plan network, the attorneys who fulfill our attorney assisted offering, our pricing, the prices of competing products or services, the effects of global economic conditions, regulatory changes or reductions in subscribers' spending levels. If we are unable to attract new subscribers to grow our subscription services, if subscribers cancel their subscriptions at a higher rate than anticipated or do not renew their subscriptions or renew on less favorable terms, our business, results of

operations, financial condition and future prospects would be adversely affected. If our renewal rates fall below the expectations of the public market, securities analysts or investors, the price of our common stock could also be harmed.

***Our business depends on our ability to drive additional purchases and cross-sell to paying customers.***

Our future success depends on our ability to expand our relationships with our customers by selling additional solutions to serve their needs, by offering more subscription products that increase engagement. This may require more sophisticated and costly sales efforts. Similarly, the rate at which our customers purchase additional services from us depends on a number of factors, including general economic conditions and customer reaction to pricing of these services. If our efforts to sell additional services to our customers are not successful, our business, results of operations, financial condition or future prospects may be harmed.

***The legal solutions market is highly competitive.***

We operate in a very competitive industry. We face intense competition from law firms and solo attorneys, online legal document services, legal plans, secretaries of state, tax preparation companies and other service providers. The online legal solutions market is evolving rapidly and is becoming increasingly competitive. Other companies that focus on the online legal document services market or business formations, such as BizFilings, LegalShield, MyCorporation, and RocketLawyer, and law firms that may elect to pursue the online legal document services market, can and do directly compete with us. Law firms and solo attorneys, who provide in-person consultations and are able to provide direct legal advice that we cannot offer due to laws and regulations regarding the unauthorized practice of law, or UPL, compete with us offline and have or may develop competing online legal services. We compete in the registered agent services business with several companies that target small businesses, including Wolters Kluwer, and these competitors have extensive experience in this market. In addition, if U.S. state agencies increase their offerings of free and easy-to-use business formation services, such as limited liability company formations and other document filings, or filing portals to the public, it could have a significant adverse effect on our business, financial condition or results of operations. For example, states such as Nevada and Louisiana offer online portals where consumers may file their articles of organization for free other than filing fees. We also compete in tax advisory service business with several companies, including H&R Block and Jackson Hewitt.

***Our business depends on our brand and reputation.***

We believe our brand has contributed to the success of our business and we have made substantial investments to build and strengthen our brand and reputation. Maintaining and enhancing the LegalZoom brand and our reputation is critical to growing and retaining our customer base. Regulatory proceedings, consumer claims, litigation, customer complaints or negative publicity through word-of-mouth, social media outlets, blogs, the Better Business Bureau and other sources related to our business practices, as well as customer care, data privacy and security issues, or reputation of our endorsers, irrespective of their validity, could diminish confidence in our services and adversely affect our brand and reputation and our ability to attract and retain customers.

Our services, as well as those of our competitors, are regularly reviewed and commented upon by online and social media sources. Negative reviews, or reviews in which our competitors' services are rated more highly than ours, irrespective of their accuracy, could negatively affect our brand and reputation. We have in the past received negative reviews wherein our customers expressed dissatisfaction with our services, including dissatisfaction with our customer support, our billing policies and the way our subscriptions operate, and we may receive similar reviews in the future. If we do not handle customer complaints effectively, our brand and reputation may suffer. We may lose our customers' confidence, they may choose not to renew their subscriptions or additional services from us, and we may fail to attract new customers. In addition, maintaining and enhancing our brand and reputation may require us to incur significant expenses and make substantial investments, which may not be successful. If we fail to successfully promote and maintain our brand and reputation, or if we incur

excessive expenses in doing so, our business, results of operations, financial condition and future prospects may be adversely affected.

Furthermore, our brand and reputation are in part reliant on third parties, including the independent attorneys and accountants who participate in our and our partner's networks. The failure or perceived failure of these attorneys and accountants to satisfy customer expectations could negatively impact our brand and reputation.

***If our marketing efforts are unsuccessful, our ability to attract new customers or retain existing customers may be adversely affected, which may adversely affect our business, results of operations, financial condition and future prospects.***

Our ability to attract new customers and retain existing customers depends in large part on the success of our marketing channels. Our primary marketing channels that generate traffic for our websites include search engine marketing, television, radio, and our inside sales team.

We rely on both algorithmic and paid listing internet search results to drive customer traffic to our websites. Algorithmic listings are determined and displayed solely by a set of formulas designed by internet search engine companies, such as Google and Bing. Paid listings can be purchased and then are displayed if particular words or terms are included in a customer's internet search. We bid on words or terms we expect customers will use to search for our services in the search engine's auction system for preferred placement on its results page. Placement in paid listings is generally not determined solely on the bid price, but also considers the search engines' assessment of the quality of the website featured in the paid listing and other factors. Our ability to maintain or increase customer traffic to our websites from internet search engines is not entirely within our control. For example, internet search engines sometimes revise their algorithms to optimize their search result listings or maintain their internal standards and strategies. Changes in search algorithms could cause our websites to receive less favorable placement and reduce traffic to our websites. In addition, we bid for paid listings against our competitors and third parties that may outbid us for preferred placement, which could adversely impact advertising efficiency and customer acquisition efforts. If competition for paid listings increases, we may be required to increase our marketing expenses or reduce the number or prominence of these paid listings. If we reduce our internet search engine advertising, the number of customers who visit our websites could decline significantly. Additionally, changes in regulations could limit the ability of search engines and social media platforms, including but not limited to Google and Facebook, to collect data from users and engage in targeted advertising, making them less effective in disseminating our advertisements to our target customers.

A reduction or loss of any of our advertising channels may adversely affect our ability to attract new customers, which could adversely affect our business, results of operations, financial condition and future prospects.

***We depend on top talent, including our senior management team, to grow and operate our business, and if we are unable to hire, retain and motivate our employees, we may not be able to grow effectively, which may adversely affect our business and future prospects.***

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain top talent. Competition for such talent is intense. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications which may, among other things, impede our ability to execute our growth strategies. If we are not able to effectively attract and retain quality employees, our ability to achieve our strategic objectives will be adversely impacted, our brand or reputation could suffer, and our business will be adversely affected. Our ability to execute efficiently depends upon contributions from all of our employees and our senior management team. In addition, from time to time, there may be changes in our senior management team that may be disruptive to our business. If our senior management team, including any new hires that we may make, fails to work together effectively and execute our plans and strategies on a timely basis, our business and future prospects may be adversely affected.

If we cannot attract additional, qualified independent attorneys to participate in our legal plan network to service the needs of our legal plan subscribers, if we cannot attract additional, qualified certified public accountants, enrolled agents, and tax professionals to service the needs of our subscribers, or if these attorneys, accountants and tax professionals encounter regulatory issues that prevent them from being able to service the needs of our customers, we may not be able to grow and maintain our legal plan subscription business effectively and our business, revenue, results of operations and future prospects may be adversely affected.

***Our business and success depend in part on our strategic relationships with third parties, including our partner ecosystem, and our business would be harmed if we fail to maintain or expand these relationships.***

We depend on, and anticipate we will continue to depend on, various third-party relationships to sustain and grow our business. For example, we partner with a variety of third parties to provide business license services, bookkeeping services, credit card and banking services, productivity tools and business insurance, among others. Our sales and our customers' user experience are dependent on our ability to connect and integrate easily to such third-party solutions. We may fail to retain and expand relationships for many reasons, including due to third parties' failure to maintain, support, or secure their technology platforms in general, restrictions imposed by regulatory compliance, and our integrations in particular. Any such failure could harm our relationship with our customers, our reputation and brand, and our business and results of operations.

As we seek to add different types of partners to our partner ecosystem, it is uncertain whether these third parties will be successful in building integrations, co-marketing our solutions to provide a significant volume and quality of lead referrals and orders, or continuing to work with us as their own products evolve. Identifying and negotiating new and expanded partner relationships requires significant resources. In addition, integrating third-party technology can be complex, costly, and time-consuming. Third parties may be unwilling to build integrations, and we may be required to devote additional resources to develop integrations for business applications on our own. The contracts applicable to third parties' development tools may be unfavorable and add costs or risks to our business or may require us to push additional contract terms to our customers that affect our relationship with our customers. Providers of business applications with which we have integrations may decide to compete with us or enter into arrangements with our competitors, resulting in such providers withdrawing support for our integrations. In addition, any failure of our solutions to operate effectively with business applications could reduce the demand for our solutions and harm to our business. If we are unable to respond to these changes or failures in a cost-effective manner, our solutions may become less marketable, less competitive, or obsolete, and our results of operations may be negatively impacted.

***If we are unable to effectively manage and minimize errors, failures, interruptions or delays caused by third parties, or if our third-party service providers cease to do business with us, our ability to deliver services to our customers, business, brand and reputation and results of operations may be adversely affected.***

We rely on third parties to fulfill portions of the services we offer and to support our operations. For example, we rely on government agencies, including secretary of state offices and the U.S. Patent and Trademark Office, to process business formation documents and intellectual property applications. If these agencies are unable or refuse to process submissions in a timely manner, including as a result of any government shutdowns or slowdowns, including as a result of the COVID-19 pandemic, our brand and reputation may be adversely affected, or customers may seek other avenues for their business formation or intellectual property needs. We also utilize other third parties in connection with the fulfillment and distribution of our services, including the independent attorneys in our legal plan network, as well as accountants and tax professionals through our subscription plans, and a third party to support our registered agent subscription services. Our platform also interoperates with certain third-party sites. As a result, our results may be affected by the performance of those parties and the interoperability of our platform with other sites. If certain third parties limit certain integration functionality, change their treatment of our services at any time, or experience quality issues, such as bugs and defects, our revenue, results of operations and future prospects may be adversely affected.

In addition, we may be unable to renew or replace our agreements with these third parties on comparable terms, or at all. Moreover, we cannot guarantee that the parties with which we have relationships can and will continue to devote the resources necessary to operate and expand our platform. Further, some of these third parties offer, or could offer, competing services or also work with our competitors. As a result of these factors, many of these third parties may choose to develop alternative services in addition to, or in lieu of, our platform, either on their own or in collaboration with others, including our competitors. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete or our revenue, results of operations and future prospects may be adversely affected. Even if we are successful in establishing and maintaining these relationships with third parties, we cannot ensure that these relationships will result in increased usage of our platform or increased revenue. We may also be held responsible for obligations that arise from the actions or omissions of these third parties.

We also utilize various types of data, technology, intellectual property and services licensed or otherwise obtained from unaffiliated third parties in order to provide certain elements of our solutions. We exercise limited control over these third parties, which increases our vulnerability to problems with the services they provide for us and to security incidents or breaches affecting the data and information they hold or process on our behalf. Any errors or defects in any third-party data or other technology could result in errors in our solutions that could harm our business, damage our reputation and result in losses in revenue, and we could be required to undertake substantial additional research and expend significant development resources to fix any problems that arise. In addition, such licensed data, technology, intellectual property and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use any of these on commercially reasonable terms, or at all, could result in delays in producing or delivering our solutions until equivalent data, technology, intellectual property or services are identified and integrated, which delays could harm our business. In this situation we would be required to either redesign our solutions to function with such equivalent data, technology, intellectual property or services available from other parties or to develop these components or services ourselves, which would result in increased costs and potential delays in service. Furthermore, we might be forced to limit the features available in our current or future solutions. If we fail to maintain or renegotiate any of these data, technology or intellectual property licenses or services, we could face significant delays and diversion of resources in attempting to develop similar or replacement technology, or to license and integrate a functional equivalent of the relevant data, technology, intellectual property or service. The occurrence of any of these events may have an adverse effect on our business, financial condition, results of operations and future prospects.

***The estimates of market opportunity and forecasts of market growth included in this prospectus may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.***

Market opportunity estimates and growth forecasts included in this prospectus are based on data published by third parties and on internally generated data and assumptions, which are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. We have not independently verified any third-party information and cannot assure you of its accuracy or completeness. While we believe our market size estimates are reasonable, such information is inherently imprecise. Even if the market in which we compete meets the size estimates and growth forecasted in this prospectus, our business could fail to grow for a variety of reasons, which would adversely affect our business, results of operations, financial condition and future prospects. For more information regarding the estimates of market opportunity and the forecasts of market growth included in this prospectus, see the section titled “Market, Industry and Other Data.”

We may also face potential competition from large internet providers, such as Amazon or Alphabet, who may choose to enter into the online legal solutions business. These businesses have disrupted multiple industries and routinely enter new verticals. While they have no particular expertise in providing legal solutions online, their extensive resources and brand recognition would make them formidable competitors and could adversely affect our business.

Our direct and indirect competitors, whether they are online legal document providers, legal plan providers, law firms, accounting firms, solo attorneys or large internet providers, may also be developing innovative and cost-effective services, including automated corporate formation document processing, that target our existing and potential customers. We expect to face increasing competition from offline and online legal services providers in our market, and our failure to effectively compete with these providers could result in revenue reductions, reduced margins, and loss of market share, any of which could materially and adversely affect our business, results of operations, financial condition and future prospects.

***Our failure to successfully address the evolving market for transactions on mobile devices and to build mobile products could harm our business.***

A significant and growing portion of our customers access our platform through mobile devices. Almost half of our traffic is through mobile devices. The number of people who access the internet and purchase services through mobile devices, including smartphones and handheld tablets or computers, has increased significantly in the past few years and is expected to continue to increase. If we are not able to provide customers with the experience and solutions they want on mobile devices, we may not be able to attract or retain customers or convert our website traffic into customers and our business may be harmed.

While we have created mobile applications and versions of some of our web content, if these mobile applications and versions are not well received by customers, or if they don't offer the information, services and functionality required by customers that widely use mobile devices, our business may suffer and we may experience difficulty in attracting and retaining customers. In addition, we face different fraud risks and regulatory risks from transactions sent from mobile devices than we do from personal computers. If we are unable to effectively anticipate and manage these risks, our business, results of operations, financial condition and future prospects may be harmed.

***We may acquire or invest in companies, which may divert our management's attention and result in additional dilution to our stockholders.***

We have in the past acquired or invested in businesses, products or technologies that we believed could complement or expand our current platform, enhance our technical capabilities or otherwise offer growth opportunities. As part of our business strategy, we may in the future continue to seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our services, enhance our technical capabilities or otherwise offer growth opportunities. The risks we face in connection with acquisitions, whether or not they are consummated, include:

- an acquisition may negatively affect our results of operations because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences, may expose us to claims and disputes by stockholders and third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- we may not be able to realize anticipated synergies;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- an acquisition may result in a delay or reduction of customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;



- we may encounter challenges integrating the employees of the acquired company into our company culture;
- we may find it difficult to, or may be unable to, successfully sell any acquired services or products;
- our use of cash to pay for acquisitions would limit other potential uses for our cash;
- if we incur debt to fund any acquisitions, such debt may subject us to material restrictions on our ability to conduct our business financial maintenance covenants; and
- if we issue a significant amount of equity securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease.

We have in the past faced these difficulties successfully integrating some of our acquisitions and we may face similar problems in the future. We may also decide to restructure, divest or sell businesses, products or technologies that we have acquired or invested in. The occurrence of any of these risks could have an adverse effect on our business, results of operations, financial condition and future prospects and could adversely affect the market price of our common stock.

***Our focus on the long-term best interests of our company and our consideration of all of our stakeholders, including our stockholders, customers, employees, and other stakeholders that we may identify from time to time, may conflict with short- or medium-term financial interests and business performance, which may negatively impact the value of our common stock.***

We believe that focusing on the long-term best interests of our company and our consideration of all of our stakeholders, including our stockholders, customers, partners, the communities in which we operate, and other stakeholders we may identify from time to time, is essential to the long-term success of our company and to long-term stockholder value. Therefore, we have made decisions, and may in the future make decisions, that we believe are in the long-term best interests of our company and our stockholders, even if such decisions may negatively impact the short- or medium-term performance of our business, results of operations, and financial condition or the short- or medium-term performance of our common stock. Our commitment to pursuing long-term value for the company and its stockholders, potentially at the expense of short- or medium-term performance, may materially adversely affect the trading price of our common stock, including by making owning our common stock less appealing to investors who are focused on returns over a shorter time horizon. Our decisions and actions in pursuit of long-term success and long-term stockholder value, which may include changes to our platform to enhance the experience of our customers, partners and the communities in which we operate, including by improving the trust and safety of our platform, enable equitable access to legal and compliance services, investing in our relationships with our customers, partners, and employees, investing in and introducing new services, or changes in our approach to working with local or national jurisdictions on laws and regulations governing our business, may not result in the long-term benefits that we expect, in which case our business, results of operations, and financial condition, as well as the trading price of our common stock, could be materially adversely affected.

***We may not effectively ensure that online services and physical locations are protected from significant outages, denial or degradation of service attacks, natural disasters, including adverse weather conditions, and other disruptions, any of which could adversely affect our brand and reputation, business, results of operations, financial condition and future prospects.***

A key element of our continued growth is the ability of our customers to access our websites and mobile applications and our ability to fulfill orders placed through such platforms. Our systems may not be adequately designed with the necessary reliability to avoid performance delays, disruptions or outages that could be harmful to our business. In addition, any steps we take to increase the reliability and redundancy of our systems may be expensive and may not be successful in preventing system failures. At times we have experienced, or may in the future experience, website disruptions, outages, and other performance problems due to a variety of factors,

including infrastructure maintenance, human or software errors, ransomware attacks, capacity constraints, denial of service, fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these website or mobile application performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our website or mobile application performance, especially during peak usage times, if the number of online services we offer increases, our services become more complex, or our customer traffic grows. If our websites or mobile applications are unavailable when customers attempt to access them, our customers may seek other solutions to address their needs and may not return to our websites or mobile applications in the future. To the extent that we do not effectively address future capacity constraints, upgrade and protect our systems, and continually develop our online legal platform to accommodate actual and anticipated technology changes, our brand and reputation, business, results of operations, financial condition and future prospects could be adversely affected.

In particular, our online services may be vulnerable to denial or degradation of service attacks or ransomware attacks, which are designed to adversely impact our operations by reducing the capacity or availability of our IT systems, the speed of operations of online services or disrupt the public's ability to access websites or applications. Although we have taken steps to prevent these attacks and mitigate their potential impact on our systems and operations, such steps may be ineffective to prevent service disruptions or outages. We have experienced denial-of-service attacks in the past, and we may be subject to additional attacks or threats of attacks in the future. Any similar events or failure to maintain performance, reliability, security and availability of our legal document services and online technology platform to the satisfaction of our customers may harm our brand and reputation, as well as our ability to retain existing customers and attract new customers, which could adversely affect our business, results of operations, financial condition and future prospects. Further, if our customers are unable to access the information they store on our platform for even limited periods of time, data protection laws may require us to notify regulators and affected individuals, which may increase the likelihood of regulatory investigations into our data protection practices, loss of customers, litigation and other liabilities.

Our operations and online services also rely on the continued functioning and accessibility of certain physical locations, including our product fulfillment locations and data centers, which are vulnerable to damage or interruption from natural disasters, adverse weather conditions, power losses, telecommunication failures, terrorist attacks, human errors, break-ins and similar events. The occurrence of a natural disaster or other unanticipated problems at our facilities could result in lengthy interruptions in our services. We may not be able to efficiently relocate our fulfillment and delivery operations due to disruptions in service if one of these events occurs and our insurance coverage may be insufficient to compensate us for such losses. Because the Los Angeles area, where our corporate and executive headquarters is located, is in an earthquake fault zone and because both the Los Angeles area and Austin, Texas, where our operational headquarters is located, are subject to the increased risk of wildfires, tornadoes, and power outages, we are particularly sensitive to the risk of damage to, or total destruction of, our primary offices and two of our key fulfillment and delivery centers. Although we are insured up to certain limits against any certain losses or expenses that may result from a disruption to our business due to earthquakes or wildfires, either of these events, if incurred, could adversely affect our business, results of operations, financial condition and future prospects.

***We have been or are involved in, and may in the future become involved in, litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our brand and reputation, business, results of operations, financial condition or future prospects.***

We have been or are involved in lawsuits and other actions brought by customers, purported competitors, regulators, and other parties alleging that we engage in the unauthorized practice of law, unfairly compete or otherwise violate the law. The plaintiffs in these actions generally seek monetary damages, penalties, and/or injunctive relief. While we have denied and continue to deny all of the allegations and claims asserted in these proceedings, and we believe our services do not constitute the practice of law, unfairly compete, or otherwise violate the law, we cannot predict the outcome of such proceedings or the amount of time and expense that will

be required to resolve these and other proceedings. If such litigation were to be determined adversely to our interests, or if we were forced to settle such matters for a significant amount, such resolutions or settlements could have a negative effect on our business, results of operations, financial condition and future prospects. We anticipate that we will continue to be a target for such lawsuits in the future. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal, or we may decide to settle lawsuits on unfavorable terms. In addition, defending these claims is costly and can impose a significant burden on management and employees, and we may receive unfavorable preliminary or interim rulings in the course of litigation. Any such negative outcome could result in payments of substantial monetary damages or fines, injunctive relief, adverse effects on the market price of our common stock or changes to our products or business practices, and accordingly our brand and reputation, business, results of operations, financial condition, or future prospects could be materially and adversely affected.

We also may encounter future claims. For example, our U.K. subsidiary operates as an alternative business structure, or ABS, which allows corporate entities to become licensed providers of reserved legal activities in that jurisdiction. As a result, our U.K. subsidiary may be susceptible to potential claims from clients, such as breach of contract, product liability, negligence, or other claims. Any such claims could result in reputational damage or an adverse effect on our results of operations. In addition, while we believe this structure is legally permissible, it is generally untested in U.S. courts and we cannot assure you that it will insulate us from claims of CPL or UPL. Even though our U.K. subsidiary holds professional liability insurance, limiting its liability in accordance with its engagement letters with clients, such insurance and limitations in liability may not insure or protect against all potential claims or sufficiently indemnify us or our U.K. subsidiary for all liability that may be incurred. Any such liability, inclusive of the costs and expenses that may be incurred in defending any such claims, that exceeds the insurance coverage could have a material adverse effect on our business, results of operations, financial condition, or future prospects.

Furthermore, our employees may, from time to time, bring lawsuits against us regarding injuries, a hostile workplace, discrimination, wage and hour disputes, sexual harassment, or other employment issues. In recent years there has been an increase in the number of discrimination and harassment claims against employers generally. Coupled with the expansion of social media platforms, employer review websites and similar devices that allow individuals access to a broad audience, these claims have had a significant negative impact on some businesses. Certain companies that have faced employment- or harassment-related claims have had to terminate management or other key personnel and have suffered reputational harm that has negatively impacted their business, including their ability to attract and hire top talent. If we were to face any employment- or harassment-related claims, our business could be negatively affected in similar or other ways.

As we face increasing competition and gain an increasingly high profile, including in connection with our initial public offering, third parties may make intellectual property rights claims, file lawsuits or initiate regulatory actions or other proceedings against us. In addition, we may introduce new services, including in areas where we currently do not compete, which could increase our exposure to lawsuits, regulatory actions, or intellectual property claims. Defending against lawsuits, regulatory actions, and other intellectual property claims is costly and can place a significant burden on management and employees. If such claims are made against us, there can be no assurances that favorable final outcomes will be obtained and, if resolved adversely, may result in changes to or discontinuance of some of our services, potential liabilities or additional costs, which could adversely affect our business, results of operations, financial condition and future prospects.

***We are subject to risks related to accepting credit and debit card payments that may harm our business or expose us to additional costs and liabilities.***

We accept payments from our customers primarily through credit and debit card transactions. Our customers generally pay for transactions in advance by credit or debit card except for certain services provided under installment plans where we allow customers to pay for their order in two or three equal payments. For credit and debit card payments, we pay interchange and other fees, which may increase over time and raise our

operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of our credit and debit card transactions, and to provide payment collection services, and it could interrupt our business if these third parties become unwilling or unable to provide these services to us, or if we are otherwise unable to collect payments. For example, if our processing vendors have problems with our billing software, or the billing software malfunctions, we could lose customers who subscribe to our legal plans, registered agent services and other subscription services, which could decrease our revenue. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our subscribers' credit cards on a timely basis or at all, our revenue could be adversely affected.

We are also subject to payment card industry rules, certification requirements and rules governing electronic funds transfer, any of which could change or be reinterpreted to make it more difficult for us to comply. Our failure to comply fully with these rules or requirements may subject us to fines, higher transaction fees, penalties, damages, and civil liability and may result in the loss of our ability to accept credit and debit card payments, which could have a material adverse effect on our business, results of operations, financial condition and future prospects.

### **Risks Relating to Our Financial Condition, Indebtedness and Capital Requirements**

***Our business is subject to seasonal fluctuations that may cause our results of operations to vary from period to period.***

Many of the factors that contribute to seasonal fluctuations in our results of operations are out of our control. We have experienced, and expect that we will continue to experience, seasonality in the number of orders placed and when we enter into subscription agreements with customers. Customers tend to place a higher number of orders and enter into new or renewed subscriptions in the first quarter of the year, which is when we believe the demand for forming businesses is the highest. Further seasonality is reflected in the timing of our revenue recognition in the second quarter, when we typically recognize a high amount of revenue from orders placed in the first quarter but fulfilled in the second quarter. Also, we generally see demand for our services decline around the beginning of the third quarter as a result of summer vacations and in the last two months of the fourth quarter as a result of the winter holidays. Seasonality in our business may cause period-to-period fluctuations in certain of our operating results and financial metrics and thus limit our ability to predict our future results.

***Our results of operations may not immediately reflect downturns or upturns in sales because we recognize revenue from our customers over the term of their paid subscriptions with us.***

We recognize revenue from paid subscriptions to our services over the respective term of the subscription period. After a short introductory trial period, if any, most paying subscribers make a one-year subscription commitment, with the upcoming annual subscription fee paid upon subscribing. As a result, much of our revenue is generated from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. Consequently, a shortfall in demand for our services or a decline in new or renewed subscriptions in any one quarter may have a small impact on the revenue that we recognize for that quarter but could negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and potential changes in our pricing policies or rate of customer expansion or retention may not be fully reflected in our results of operations until future periods. In addition, a significant majority of our costs are expensed as incurred, while revenue is recognized over the life of the subscription agreement. As a result, growth in the number of customers could continue to result in our recognition of higher costs and lower revenue in the earlier periods of our subscription agreements. Finally, our subscription-based revenue model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers and significant increases in the size of subscriptions with existing customers must be recognized over the applicable subscription term.

***We track certain financial and operating metrics with internal systems and tools and do not independently verify such metrics. Certain of our financial and operating metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.***

We track certain financial and operating metrics, including key business metrics such as number of transactions, number of subscription units and average revenue per customer, with internal company data, systems and tools that are not independently verified by any third party. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose. If the internal systems and tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. While these numbers are based on what we believe to be reasonable estimates of our metrics for the applicable period of measurement, there are inherent challenges in measuring how our services are used across large populations globally. For example, there are customers who have multiple subscriptions, which we treat as multiple subscription units for purposes of calculating our subscription units.

In addition, limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which could affect our long-term strategies. If our financial and operating metrics are not accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation may be harmed, and our business, results of operations, financial condition and future prospects could be adversely affected.

***We are in the process of implementing an Enterprise Resource Planning, or ERP, software system and challenges with the implementation of the system may impact our business and operations.***

We are in the process of implementing a company-wide ERP software program and the related infrastructure to support future growth and to integrate our processes. Our ERP software program has involved, and will continue to involve, substantial expenditures on system hardware and software, as well as design, development and implementation activities. The implementation of the ERP software program may prove to be more difficult, costly, or time consuming than expected, and it is possible that the system will not yield the benefits anticipated. Any disruptions, delays or deficiencies in the design and implementation of our new ERP software program could materially impact our operations and adversely affect our ability to process orders, fulfill contractual obligations or otherwise operate our business. Additionally, future cost estimates related to our new ERP software system are based on assumptions that are subject to wide variability.

***We have identified material weaknesses in our internal control over financial reporting and, if we fail to remediate these material weaknesses, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence and the price of our common stock.***

We have identified three material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses we identified are listed below:

- We did not maintain an effective control environment. Specifically, we did not maintain sufficient accounting resources commensurate with our structure and financial reporting requirements. This material weakness contributed to the additional material weaknesses below.
- We did not design and maintain effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions.

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- We did not design and maintain effective controls over our financial statement close process. Specifically, we did not design and maintain effective controls over certain account analyses and account reconciliations.

These material weaknesses resulted in adjustments to our current and prior year financial statements primarily related to debt extinguishment costs, goodwill, revenue, accounts receivable, foreign exchange expense and deferred revenue, and could result in a misstatement of any account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

We are in the early stages of designing and implementing a plan to remediate the material weaknesses identified. Our plan includes:

- hiring additional experienced accounting, financial reporting and internal control personnel and changing roles and responsibilities of our personnel as we transition to being a public company and are required to comply with Section 404 of the Sarbanes Oxley Act of 2002. We have recently hired additional resources and we are engaging with a third-party consulting firm to assist us with our formal internal control plan and provide staff augmentation of our internal audit function.
- implementing controls to enhance our review of significant accounting transactions and other new technical accounting and financial reporting issues and preparing and reviewing accounting memoranda addressing these issues; and
- implementing controls to enable an effective and timely review of account analyses and account reconciliations.

We cannot assure you that these measures will significantly improve or remediate the material weaknesses described above. The implementation of these remediation measures is in the early stages and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles and as a result the timing of when we will be able to fully remediate the material weaknesses is uncertain and we may not fully remediate these material weaknesses during 2021. If the steps we take do not remediate the material weaknesses in a timely manner, there could continue to be a reasonable possibility that these control deficiencies or others would result in a material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis. This, in turn, could jeopardize our ability to comply with our reporting obligations, limit our ability to access the capital markets and adversely impact our stock price.

We and our independent registered public accounting firm were not required to perform an evaluation of our internal control over financial reporting as of December 31, 2020 in accordance with the provisions of the Sarbanes-Oxley Act of 2002. Accordingly, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required by reporting requirements under Section 404 after the completion of this offering. If we are unable to successfully remediate the existing material weakness in our internal control over financial reporting, the accuracy and timing of our financial reporting, and our stock price, may be adversely affected and we may be unable to maintain compliance with the applicable stock exchange listing requirements.

Implementing any appropriate changes to our internal controls may distract our officers and employees, entail substantial costs to modify our existing processes and take significant time to complete. These changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and harm our business. In addition, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely basis may harm our stock price and make it more difficult for us to effectively market and sell our services to new and existing customers.

***If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline.***

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. In addition, beginning with our 2022 annual report on Form 10-K to be filed in 2023, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting beginning with our first annual report on Form 10-K following the date on which we are no longer an “emerging growth company.”

We have commenced the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, and we may not be able to complete our evaluation, testing and any required remediation in a timely fashion. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be additional material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be negatively affected, and we could be subject to sanctions or investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could also require additional financial and management resources. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

***We have substantial indebtedness, which reduces our capability to withstand adverse developments or business conditions.***

We have incurred substantial indebtedness. In November 2018, we entered into an amended first lien credit and guarantee agreement, or the 2018 Credit Agreement, with JPMorgan Chase Bank, N.A., an affiliate of one of the underwriters in this offering, as administrative agent, and the other lenders party thereto, which provided for \$575.0 million of loans, consisting a \$535.0 million term loan, or the 2018 Term Loan, and \$40.0 million of availability under a revolving credit facility, or the 2018 Revolving Facility. We refer to the 2018 Term Loan and 2018 Revolving Facility collectively as the 2018 Credit Facility. Pursuant to the 2018 Credit Agreement, debt under the 2018 Credit Facility is guaranteed by certain of our material wholly owned domestic restricted subsidiaries and is secured by substantially all of our and such subsidiaries’ assets and property, including our and such subsidiary’s intellectual property.

Borrowings under the 2018 Term Loan bear interest, at our option, at a rate equal to either (a) the London Interbank Offered Rate, or LIBOR (or a comparable successor rate approved by the administrative agent and us), subject to a 0.00% floor, plus a margin of 4.50% per annum or (b) the Base Rate, defined as the greatest of the

prime rate, the federal funds rate plus one-half of 1.00%, and the sum of one-month LIBOR plus 2.00% per annum, subject to a floor of 1.00%, plus a margin of 3.50% per annum. Each such margin may decrease depending on our total net first lien leverage ratio. The 2018 Term Loan is required to be repaid in quarterly installments of 0.25% of the outstanding principal, with the remaining outstanding principal due on maturity on November 21, 2024. The 2018 Term Loan must be repaid with proceeds of certain asset sales, debt issuances and a portion of our annual excess cash flow.

Loans under the 2018 Revolving Facility may be borrowed, at our option, at a rate equal to (i) LIBOR or Euro LIBOR (or a comparable successor rate approved by the administrative agent and us), in each case, subject to a 0.00% floor, plus a margin of 4.00% per annum or (ii) the Base Rate, defined as the greatest of the prime rate, the federal funds rate plus one-half of 1%, and the sum of one-month LIBOR plus 1.00% per annum, subject to a floor of 1.00%, plus a margin of 3.00% per annum. Each such margin may decrease depending on our total net first lien leverage ratio. The 2018 Revolving Facility has a commitment fee of 0.375% per annum, which steps down to 0.25% per annum upon achieving a certain total net first lien leverage ratio level. The 2018 Revolving Facility is due in full on maturity on November 23, 2023.

At March 31, 2021, our total aggregate indebtedness under the 2018 Credit Agreement was \$523.0 million of principal outstanding under the 2018 Term Loan and we had \$40.0 million available for additional borrowings under 2018 Revolving Facility. We intend to use the net proceeds from this offering to repay \$ million of the outstanding indebtedness under the 2018 Term Loan, and we expect to have \$ million outstanding under the 2018 Term Loan immediately after such repayment. Our payments on our outstanding indebtedness are significant in relation to our revenue and cash flow, which exposes us to significant risk in the event of downturns in our businesses (whether through competitive pressures or otherwise), our industry or the economy generally, since our cash flows would decrease but our required payments under our indebtedness would not. Economic downturns may impact our ability to comply with the covenants and restrictions in the 2018 Credit Agreement and may impact our ability to pay or refinance our indebtedness as they come due, which may (i) allow the lenders under the 2018 Credit Facility to accelerate the debt under the 2018 Credit Facility and/or seize our assets, including our intellectual property, (ii) allow third parties to terminate certain contracts to which we are a party or (iii) otherwise adversely affect our business, results of operations, financial condition and future prospects.

***Despite our current indebtedness level, we and our restricted subsidiaries may be able to incur substantially more indebtedness, which could further exacerbate the risks associated with our substantial indebtedness.***

Although the terms of the agreements governing our outstanding indebtedness contain restrictions on the incurrence of additional indebtedness, such restrictions are subject to a number of important exceptions and indebtedness incurred in compliance with such restrictions could be substantial. If we and our restricted subsidiaries incur significant additional indebtedness, the related risks that we face could increase. If new debt is added to our or our subsidiaries' current debt levels, the related risks that we now face would increase, and we may not be able to meet all our debt obligations. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings."

***The agreements governing our indebtedness require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.***

The 2018 Credit Agreement contains affirmative and negative covenants, indemnification provisions and events of default. The affirmative covenants include, among others, administrative, reporting and legal covenants, in each case subject to certain exceptions. The negative covenants include, among others, limitations on our and certain of our subsidiaries' abilities to, in each case subject to certain exceptions:

- make restricted payments including dividends and distributions on, redemptions of, repurchases or retirement of our capital stock;



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- make certain intercompany distributions;
- incur additional indebtedness and issue certain types of equity;
- sell assets, including capital stock of subsidiaries;
- enter into certain transactions with affiliates;
- incur liens;
- enter into fundamental changes including mergers and consolidations;
- make investments, acquisitions, loans or advances;
- create negative pledges or restrictions on the payment of dividends or payment of other amounts owed from subsidiaries;
- make prepayments or modify documents governing debt that is subordinated with respect to right of payment;
- engage in certain sale leaseback transactions;
- change our fiscal year; and
- change our lines of business.

The 2018 Credit Agreement also contains a financial covenant with respect to the 2018 Revolving Facility that requires us to maintain a total net first lien leverage ratio of 7.90:1.00 on the last day of any fiscal quarter during which our 2018 Revolving Facility usage exceeds 35% of the 2018 Revolving Facility capacity. As a result of the restrictions described above, we will be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders or amend the covenants.

Our ability to comply with the covenants and restrictions contained in the 2018 Credit Agreement may be affected by economic, financial and industry conditions beyond our control. The restrictions in the 2018 Credit Agreement may prevent us from taking actions that we believe would be in the best interests of our business and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. Even if the 2018 Credit Agreement is terminated, any additional debt that we incur in the future could subject us to similar or additional covenants.

The 2018 Credit Agreement includes customary events of default, including: failure to pay principal, interest or certain other amounts when due; material inaccuracy of representations and warranties; violation of covenants; specified cross-default and cross-acceleration to other material indebtedness; certain bankruptcy and insolvency events; certain events relating to ERISA; certain undischarged judgments; material invalidity of guarantees or grant of security interest; and change of control, in certain cases subject to certain thresholds and grace periods. In addition, if we fail to sell at least 15% of our issued and outstanding common stock in connection with this offering, then if certain of our stockholders do not continue to maintain voting control over the election of directors after this offering, we could be deemed to have undergone a change of control, which would constitute an event of default under the 2018 Credit Agreement.

Our failure to comply with the restrictive covenants described above as well as other terms of our indebtedness could result in an event of default, which, if not cured or waived, could result in the lenders declaring all obligations, together with accrued and unpaid interest, immediately due and payable and take control of the collateral, potentially requiring us to renegotiate the 2018 Credit Agreement on terms less favorable to us. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our business, results of operations, financial condition and future prospects could be adversely

affected. In addition, such a default or acceleration may result in the acceleration of any future indebtedness or result in the termination of certain other contracts with third parties, in each case to which a cross-acceleration or cross-default provision applies. If we are unable to repay our indebtedness, lenders having secured obligations, such as the lenders under the 2018 Credit Agreement, could proceed against the collateral securing the indebtedness. In any such case, we may be unable to borrow under our 2018 Credit Facility and may not be able to repay the amounts due under our 2018 Credit Facility. This could have serious consequences to our business, results of operations, financial condition and future prospects and could cause us to become bankrupt or insolvent.

***When LIBOR is discontinued, borrowing costs under the 2018 Credit Agreement or agreements governing any of our future indebtedness will be calculated using another reference rate, which may cause substantial uncertainty as to the effect of such replacement on our borrowing costs***

On November 30, 2020, the Chief Executive of the United Kingdom Financial Conduct Authority, or FCA, which regulates LIBOR, announced that the FCA intends to cease the publication of one-week and two-month LIBOR by the end of 2021 and all other LIBOR tenors (overnight, one-month, three-month, six-month and 12-month) on June 30, 2023. In addition, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee consisting of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities. Although there have been a few transactions utilizing SOFR and similar rates, it is unknown whether these alternative reference rates will attain market acceptance as replacements for LIBOR. LIBOR is used as a benchmark reference throughout the 2018 Credit Agreement. While the 2018 Credit Agreement provides fallback language in the event LIBOR ceases to be published, including the possibility of designation of a replacement rate by the administrative agent under the 2018 Credit Agreement, there is substantial uncertainty as to the effect of such replacement on our borrowing costs. In addition, in such event, we may need to renegotiate the 2018 Credit Agreement in order to determine the interest rate to replace LIBOR with the new standard that is established. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our borrowing costs or the effectiveness of certain related transactions such as hedges cannot yet be determined.

***We are subject to fluctuations in interest rates.***

Borrowings under the 2018 Credit Facility are subject to variable rates of interest and expose us to interest rate risk. In April 2019, we entered into interest rate swap agreements for an aggregate notional amount of \$131.9 million to swap our variable interest rate on our 2018 Term Loan for a fixed interest rate of 2.2745%. The interest rate swaps were to expire in March 2022. In March 2020, in response to a drop in LIBOR, we modified our interest rate swap agreements to extend the terms to March 2024 and also lower the fixed interest rate from 2.2745% to a revised average rate of 1.6786%. Our obligations under these interest rate swaps (and any other derivative transaction entered into with the administrative agent, an arranger, a lender or any affiliate thereof under the 2018 Credit Facility) are secured by substantially all of our and our subsidiaries' assets and property, including our and our subsidiaries' intellectual property on a pari passu basis with the 2018 Credit Facility.

We may decide to enter into additional derivative financial instruments in the future. If we do, we may not maintain interest rate swaps, caps or other applicable financial instruments with respect to all of our indebtedness and any financial instrument we enter into may not fully mitigate our interest rate risk, may prove disadvantageous or may create additional risks.

***Certain of our indebtedness may be denominated in foreign currencies, which subjects us to foreign exchange risk, which could cause our debt service obligations to increase significantly.***

The 2018 Credit Agreement's 2018 Revolving Facility also permits borrowings denominated in Euros, GBP and other alternative currencies that may be approved by the administrative agent and revolving lenders. See the

section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings.” Such non-U.S. dollar-denominated debt may not necessarily correspond to the cash flow we generate in such currencies. Sharp changes in the exchange rates between the currencies in which we borrow and the currencies in which we generate cash flow could adversely affect us. In the future, we may enter into contractual arrangements designed to hedge a portion of the foreign currency exchange risk associated with any non-U.S. dollar-denominated debt. If these hedging arrangements are unsuccessful, we may experience an adverse effect on our business, results of operations, financial condition and future prospects.

***Changes in tax laws or tax rulings could affect our financial condition, results of operations, and cash flows.***

The tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. Changes in tax laws, regulations, or rulings, or changes in interpretations of existing laws and regulations, could affect our financial condition, results of operations and cash flows. For example, the 2017 Tax Cuts and Jobs Act, or the Tax Act, made broad and complex changes to the U.S. tax code, including changes to U.S. federal tax rates, additional limitations on the deductibility of interest, both positive and negative changes to the utilization of future net operating loss, or NOL, carryforwards, allowing for the expensing of certain capital expenditures, and putting into effect the migration from a “worldwide” system of taxation to a largely territorial system. The issuance of additional regulatory or accounting guidance related to the Tax Act could affect our tax obligations and effective tax rate in the period issued. In addition, many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in the countries where we do business or require us to change the manner in which we operate our business.

The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project, and issued a report in 2015, an interim report in 2018, and is expected to continue to issue guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. Similarly, the European Commission and several countries have issued proposals that would change various aspects of the current tax framework under which we are taxed. These proposals include changes to the existing framework to calculate income tax, as well as proposals to change or impose new types of non-income taxes, including taxes based on a percentage of revenue. For example, several countries have proposed or enacted taxes applicable to digital services, which could apply to our business.

***Our ability to use our net operating loss carryforwards may be limited.***

We have incurred substantial losses during our history and may not be able to maintain profitability. Unused U.S. federal NOLs for taxable years beginning before January 1, 2018, may be carried forward to offset future taxable income, if any, until such unused NOLs expire. Under legislation enacted in 2017, informally titled the Tax Act, as modified by legislation enacted on March 27, 2020, entitled the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, U.S. federal NOLs incurred in taxable years beginning after December 31, 2017, can be carried forward indefinitely, but the deductibility of such U.S. federal NOLs in taxable years beginning after December 31, 2020 is limited to 80% of taxable income. It is uncertain if and to what extent various states will change their tax laws to conform to the Tax Act or the CARES Act.

At December 31, 2020, we had U.S. federal and state NOL carryforwards of \$11.7 million and \$49.8 million, respectively. Of the \$11.7 million U.S. federal NOL carryforwards, \$7.4 million may be carried forward indefinitely with utilization limited to 80% of taxable income. The remaining \$4.3 million will begin to expire in 2031. The state NOL carryforwards begin to expire in 2022.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally

defined as a greater than 50 percentage point change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change NOL carryforwards to offset its post-change income or taxes may be limited. We have completed a Section 382 study and have determined that none of our net operating losses will expire solely due to Section 382 limitations. However, we may experience ownership changes as a result of our initial public offering or in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. This could limit the amount of NOLs that we can utilize annually to offset future taxable income or tax liabilities. Subsequent ownership changes and changes to the U.S. tax rules in respect of the utilization of NOLs may further affect the limitation in future years. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

***Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.***

We are subject to income taxes in the United States and various foreign jurisdictions. The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. We believe that our provision for income taxes is reasonable, but the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may affect our financial results in the period or periods in which such outcome is determined.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Tax Act and the CARES Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals; and
- the effects of acquisitions.

Any of these developments could adversely affect our results of operations.

***Changes in tax laws or regulations that are applied adversely to us or our customers may have a material adverse effect on our business, cash flow, financial condition or results of operations.***

New income, sales, use, or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could adversely affect our business operations and financial performance. Further, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us. For example, the Tax Act enacted many significant changes to the U.S. tax laws. Future guidance from the Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. For example, the CARES Act modified certain provisions of the Tax Act. In addition, it is uncertain if and to what extent various states will conform to the Tax Act, the CARES Act, or any newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Act or future reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges, and could increase our future U.S. tax expense.

## **Risks Relating to Legal, Compliance and Regulatory Matters**

***Our business and services subject us to complex and evolving U.S. and foreign laws and regulations regarding the unauthorized practice of law, legal document processing, legal plans, and other related matters.***

Our business involves providing services that meet the legal and accounting needs of our customers and, as a result, is subject to a variety of complex and evolving U.S. and foreign laws and regulations, including the following:

- Our business model includes the provision of services that represent an alternative to traditional legal services, which subjects us to allegations of UPL. UPL generally refers to an entity or person giving legal advice who is not licensed to practice law or advertising their services as the practice of law. However, laws and regulations defining UPL, and the governing bodies that enforce UPL rules, differ among the various jurisdictions in which we operate and are often vague.
- In the United States, we are unable to hire attorneys as employees to provide legal advice directly to our customers, because we do not meet certain regulatory requirements such as being exclusively owned by licensed attorneys. In addition, we are currently unable to acquire a license to practice law in the United States. Laws, regulations, and professional responsibility rules impose limitations on business transactions between attorneys and persons who are not licensed attorneys, including those related to the ethics of attorney fee-splitting and CPL. This position can be contrasted with that in the United Kingdom, where we operate an ABS, which allows certain corporate entities to become licensed providers of reserved legal activities in that jurisdiction, pursuant to the U.K. Legal Services Act 2007, or the LSA. As the regulatory environment in the United States continues to evolve, we may consider implementing alternative structures to conduct our business in the United States. For example, the Arizona Supreme Court recently approved regulatory reform that will permit nonlawyers to co-own law firms and other legal service operations. While the structure would be legally permissible in Arizona, we cannot assure you that it will insulate us from claims of CPL or UPL in other jurisdictions.
- Regulation of legal document processing services and registered agent services varies among the jurisdictions in which we conduct business.
- Regulation of our legal plans varies considerably among the insurance departments, bar associations and attorneys general of each U.S. state. In addition, some U.S. states and federal agencies may seek to regulate our legal plans or other subscription plans, such as Business Advantage Plus, as insurance, legal expense insurance, specialized legal service products or financial planning.

Our business operations also subject us to laws and regulations relating to general business practices, and the manner in which we offer our services to customers subjects us to various consumer laws and regulations, including false advertising, payment laws, telephone sales, email marketing, automatic contract or subscription renewal, and deceptive trade practices.

The scope of these laws and regulations are often vague and broad, and their applications and interpretations are often uncertain and conflicting. Compliance with these disparate laws and regulations requires us to structure our business and services differently in certain jurisdictions. Additionally, these laws and regulations are evolving, and changes in such laws could require us to significantly change the ways in we structure our business and services. These laws and regulations could also make it more difficult for us to convert our transactional customers to subscribers or attract new subscribers to grow our subscription services. We dedicate significant management time and expense to dealing with these issues and expect that these issues will continue to be a significant focus as we expand into other services and jurisdictions.

In addition, any failure or perceived failure by us to comply with applicable laws and regulations may subject us to regulatory inquiries, claims, suits and prosecutions. For example, in February 2020, a complaint was filed in California against us alleging violations of the Florida Security of Communications Act for violations of privacy based on a claim of wiretapping. In May 2021, the plaintiffs of this class action complaint filed a notice of dismissal without prejudice. However, these plaintiffs could refile in court or arbitration and may be the

subject of similar complaints in the future. We have also incurred in the past, and expect to incur in the future, costs associated with responding to, defending, resolving, and/or settling proceedings, particularly those related to UPL, competitor claims and the provision of our services more generally. We can give no assurance that we will prevail in such regulatory inquiries, claims, suits and prosecutions on commercially reasonable terms or at all. Responding to, defending and/or settling regulatory inquiries, claims, suits and prosecutions may be time-consuming and divert management and financial resources or have other adverse effects on our business. A negative outcome in any of these proceedings may result in claims, changes to or discontinuance of some of our services, potential liabilities or additional costs that could have a material adverse effect on our business, results of operations, financial condition, future prospects and brand.

***Our U.K. subsidiary, being a “licensed body” law firm, is subject to restrictions under the LSA.***

Under the LSA, there are restrictions on the holding of “restricted interests” in “licensed body” law firms. A restricted interest for the purpose of these restrictions is an interest of 10% or more in the issued share capital of the licensed body or the parent company of such licensed body. As our wholly owned U.K. subsidiary is a licensed body for the purposes of the LSA, the restrictions referred to above will apply to any holder(s) of 10% or more of our common stock following the completion of this offering.

The consent of the U.K. Solicitors Regulatory Authority, or the SRA, is required should any person who is a “non-deemed approved lawyer” seek to acquire a restricted interest. It is a criminal offense in the United Kingdom for any “non-deemed approved lawyer” to acquire a restricted interest without having given prior notification to the SRA or, having given prior notification to the SRA, to acquire a restricted interest without having obtained the SRA’s consent. The SRA may attach conditions to any consent that it may give in respect of the holding of a restricted interest. However, should any stockholder wish to consider owning a stake in our common stock in excess of this threshold, it is possible for the SRA to be approached and grant pre-approval in advance of any such acquisition.

The SRA can force any person who acquires a restricted interest in contravention of the applicable rules to divest its share ownership in the licensed body (or its parent company). The SRA also has the ability to suspend or revoke the relevant entity’s licensed body status in respect of any such contravention. Any suspension or revocation of our U.K. subsidiary’s licensed body status would have a serious detrimental impact on our business, and, in such circumstances, we would seek to collaborate with the SRA to minimize any resultant business disruption.

***If the independent professionals who participate in our or our partner’s networks are characterized as employees, we would be subject to employment and withholding liabilities and regulatory risks.***

We structure our relationships with the independent attorneys and independent accountants who participate in our and our partner’s networks in a manner that we believe results in an independent contractor relationship, not an employee relationship. On the other hand, our LZ Tax offering is fulfilled by our own employee accountants and tax professionals. An independent contractor is generally distinguished from an employee by his or her degree of autonomy and independence in providing services. A high degree of autonomy and independence is generally indicative of a contractor relationship, while a high degree of control is generally indicative of an employment relationship. Although we believe that the independent attorneys and independent accountants who participate in our and our partner’s networks are properly characterized as independent contractors, tax or other regulatory authorities may in the future challenge our characterization of these relationships. If such regulatory authorities or state, federal or foreign courts were to determine that these attorneys or accountants are employees, and not independent contractors, we would be required to withhold income taxes, to withhold and pay social security, Medicare and similar taxes, to pay unemployment and other related payroll taxes and could face allegations of UPL or CPL. We would also be liable for unpaid past taxes and subject to penalties. As a result, any determination that these independent attorneys or independent accountants are our employees could have a material adverse effect on our business, results of operations, financial condition and future prospects.

***We are subject to stringent and changing laws, regulations and standards, and contractual obligations related to data privacy and security. The actual or perceived failure to comply with applicable data protection, privacy, and security laws, regulations, standards, and other requirements could adversely affect our business, results of operations, and financial conditions.***

We are subject to numerous foreign and domestic laws, regulations, and standards regarding privacy and data security governing the personal information and other data that we may collect, store, use, or process. Privacy has become a significant issue in the United States. The regulatory framework for privacy issues is rapidly evolving and is likely to remain uncertain for the foreseeable future. Many government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use, storage, destruction, and disclosure of personal information and breach notification procedures. We are also required to comply with laws, rules and regulations relating to data security. Interpretation of these laws, rules and regulations in applicable jurisdictions is ongoing and cannot be fully determined at this time.

In June 2018, California adopted the California Consumer Privacy Act of 2018, or CCPA, which took effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase litigation involving misuse of personal information of California residents. The CCPA may increase our compliance costs and potential liability. In addition, California voters recently approved the California Privacy Rights Act of 2020, or CPRA, which goes into effect on January 1, 2023. It is expected that the CPRA would, among other things, give California residents the ability to limit the use of their personal information, further restrict the use of cross-contextual advertising, establish restrictions on the retention of personal information, expand the types of data breaches subject to the CCPA's private right of action, provide for increased penalties for CPRA violations concerning California residents under the age of 16, and establish a new California Privacy Protection Agency to implement and enforce the new law. Some observers have noted that the CCPA and CPRA could mark the beginning of a trend of states adopting more stringent privacy legislation in the United States, which could further increase our compliance costs, potential liability and adversely affect our business.

The global data protection landscape is also rapidly evolving, and we expect that there will continue to be new and proposed laws, regulations, and industry standards concerning privacy, data protection, and information security, and we cannot yet determine the impact that such future laws, regulations and standards may have on our business. For example, in May 2018, the General Data Protection Regulation, or the GDPR, went into effect in the EU. The GDPR imposes stringent data protection requirements and to date, has increased compliance burdens on us, including by mandating burdensome documentation requirements and granting certain rights to individuals to control how we collect, use, disclose, retain and process information about them. The GDPR also provides for more robust regulatory enforcement and greater penalties for noncompliance than previous data protection laws, including fines of up to €20 million or 4% of global annual revenue of any noncompliant company for the preceding financial year, whichever is greater.

European data protection laws including the GDPR also generally prohibit the transfer of personal information from Europe to the United States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal information. The Court of Justice of the European Union, or CJEU, recently raised questions about whether the European Commission's Standard Contractual Clauses, one of the primary mechanisms used by U.S. companies to import personal information from Europe, complies with the GDPR. While the CJEU upheld the validity of Standard Contractual Clauses, the CJEU ruled that the underlying data transfers must be assessed on a case-by-case basis by the data controller to determine whether the personal information will be adequately protected. Further, the European Commission recently proposed updates to the Standard Contractual Clauses. At present, there are few if any viable alternatives to the Standard Contractual Clauses and, therefore, there is uncertainty regarding how to ensure that transfers of personal information from Europe to the United States comply with the GDPR. As such, any transfers by us, or

our third-party service providers, of personal information from Europe may not comply with European data protection laws; may increase our exposure to the GDPR's heightened sanctions for violations of its cross-border data transfer restrictions; and may reduce demand for our services from companies subject to European data protection laws. Loss of our ability to transfer personal information from Europe may also require us to increase our data processing capabilities in those jurisdictions at significant expense.

Further, the United Kingdom's decision to leave the European Union, often referred to as Brexit, has created uncertainty with regard to the regulation of data protection in the United Kingdom, including with respect to whether laws or regulations will apply to us consistent with the GDPR in the future and how data transfers to and from the United Kingdom will be regulated. Following December 31, 2020, and the expiry of transitional arrangements between the United Kingdom and European Union, the data protection obligations of the GDPR continue to apply to U.K.-related processing of personal data in substantially unvaried form under the so-called U.K. GDPR (i.e., the GDPR as it continues to form part of U.K. law by virtue of section 3 of the EU (Withdrawal) Act 2018, as amended). However, going forward, there is increasing risk for divergence in application, interpretation and enforcement of the data protection laws as between the United Kingdom and European Economic Area, or EEA. Furthermore, the relationship between the United Kingdom and the EEA in relation to certain aspects of data protection law remains uncertain. For example, it is unclear whether transfers of personal data from the EEA to the United Kingdom will be permitted to take place on the basis of a future adequacy decision of the European Commission, or whether a transfer mechanism such as the SCCs will be required. Under the post-Brexit Trade and Cooperation Agreement between the European Union and the United Kingdom, the United Kingdom and European Union have agreed that transfers of personal data to the U.K. from EEA member states will not be treated as 'restricted transfers' to a non-EEA country for a period of up to four months from January 1, 2021, plus a potential further two months extension, or the "Extended Adequacy Assessment Period." Although the current maximum duration of the Extended Adequacy Assessment Period is six months, it may end sooner, for example, in the event that the European Commission adopts an adequacy decision in respect of the United Kingdom, or the United Kingdom amends the U.K. GDPR and/or makes certain changes regarding data transfers under the U.K. GDPR/Data Protection Act 2018 without the consent of the European Union (unless those amendments or decisions are made simply to keep relevant U.K. laws aligned with the European Union's data protection regime). If the European Commission does not adopt an adequacy decision in respect of the United Kingdom prior to the expiry of the Extended Adequacy Assessment Period, from that point onwards the United Kingdom will be an inadequate third country under the GDPR and transfers of personal data from the EEA to the United Kingdom will require a 'transfer mechanism' such as the Standard Contractual Clauses.

The type of challenges we face in Europe will likely also arise in other jurisdictions that adopt laws similar in construction to the GDPR or regulatory frameworks of equivalent complexity. For example, Brazil enacted the General Data Protection Law, New Zealand enacted the New Zealand Privacy Act, China released its draft Personal Information Protection Law, and Canada introduced the Digital Charter Implementation Act.

Compliance with these and any other applicable privacy and data security laws, including the Gramm-Leach-Bliley Act and Code Section 7216, and regulations is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms to ensure compliance with the new data protection rules. Any failure or perceived failure by us or third parties working on our behalf to comply with applicable laws and regulations, any privacy and data security obligations pursuant to contract, our stated privacy or security policies, or obligations to customers or other third parties may result in governmental enforcement actions (including fines, penalties, judgments, settlements, imprisonment of company officials and public censure), civil claims, litigation, damage to our brand and reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could have a material adverse effect on our business, operations and financial performance.

Additionally, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies, which could, if widely adopted, result in the use of third-party cookies and other methods



of online tracking becoming significantly less effective. The regulation of the use of these cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such practices could adversely affect our business, financial condition, and results of operations.

***Breaches and other types of security incidents of our networks or systems, or those of our third-party service providers, could negatively impact our ability to conduct our business, our brand and reputation, our ability to retain existing customers and attract new customers, and may cause us to incur significant liabilities and adversely affect our business, results of operations, financial condition, and future prospects.***

We collect, use, store, transmit and process data and information about our customers, employees and others, some of which may be sensitive, personal, or confidential. Any actual or perceived breach of our security measures or those of our third-party service providers could adversely affect our business, operations and future prospects. A third party that is able to circumvent our security measures or those of our third-party service providers may access, misappropriate, delete, alter, publish or modify this information, which could cause interruptions in our business and operations, fraud or loss to third parties, regulatory enforcement actions, litigation, indemnity obligations and other possible liabilities, as well as negative publicity. Widespread negative publicity may also result from real, threatened or perceived security compromises affecting our industry, competitors, and customers. Concerns regarding data privacy and security could cause some of our customers to stop using our services and fail to renew their subscriptions. This discontinuance in use and failure to renew could harm our business, results of operations, financial condition, and future prospects.

Our internal computer systems, cloud-based computing services, and those of our current and any future third-party service providers are vulnerable to interruption. Cyberattacks and other malicious internet-based activity, such as computer malware, hacking, and phishing attempts, continue to increase. In addition to traditional computer “hackers,” malicious code (such as viruses, worms and ransomware), social engineering, cyber extortion and personnel theft or misuse, sophisticated nation-state and nation-state supported actors now engage in similar attacks (including advanced persistent threat intrusions). Due to the COVID-19 pandemic, our employees are temporarily working remotely, which may pose additional data security risks. We may also be the subject of denial of service attacks, server malfunction, software or hardware failures, loss of data or other computer assets, adware or other similar issues. While we have security measures in place designed to protect customer information and prevent data loss and other security breaches, we cannot guarantee that our, or our third-party service providers’ security measures will be sufficient to protect against unauthorized access to, or other compromise of, personal information confidential or proprietary information. The techniques used to sabotage or to obtain unauthorized access to our platform, systems, networks and/or physical facilities in which data is stored or through which data is transmitted change frequently, and we have not always been able in the past and may be unable in the future to anticipate such techniques or implement adequate preventative measures or stop security breaches that may arise from such techniques. As a result, our safeguards and preventive measures may not be adequate to prevent current or future cyberattacks and security incidents, including security breaches that may remain undetected for extended periods of time, which can substantially increase the potential for a material adverse impact resulting from the breach.

We are required to comply with laws, rules and regulations that require us to maintain the security of personal information. We may have contractual and other legal obligations to notify relevant stakeholders of security breaches. We operate in an industry that is prone to cyberattacks. Failure to prevent or mitigate cyberattacks could result in the unauthorized access to such data, including personal information. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities, and others of security breaches involving certain types of data. In addition, our agreements with certain customers and partners may require us to notify them in the event of a security breach. We have experienced and may in the future experience personal information security breaches as to which we are legally required to notify individuals, customers, regulators, the media and others. Such disclosures are costly, could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures and not use our services, and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the

actual or perceived security breach. In addition, the costs to respond to a cybersecurity event or to mitigate any security vulnerabilities that may be identified could be significant, including costs for remediating the effects of such an event, paying a ransom, restoring data from backups, and conducting data analysis to determine what data may have been affected by the breach. In addition, our efforts to contain or remediate a security breach or any vulnerability exploited to cause a breach may be unsuccessful, and efforts and any related failures to contain or remediate them could result in interruptions, delays, loss in customer trust, harm to our reputation, and increases to our insurance coverage.

We may not have adequate insurance coverage for security incidents or breaches, including fines, judgments, settlements, penalties, costs, attorney fees and other impacts that arise out of incidents or breaches. Although we maintain cyber liability insurance, we cannot assure you that such insurance coverage will be adequate to cover liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. Our risks are likely to increase as we continue to expand, grow our customer base, and process, store, and transmit increasingly large amounts of confidential, proprietary and sensitive data.

***We are subject to anti-corruption, anti-bribery, anti-money laundering, and similar laws, and non-compliance with such laws can subject us to criminal and/or civil liability and harm our business.***

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act, and other anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies and their employees and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we have policies and procedures to address compliance with such anti-corruption laws, we cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Detecting, investigating and resolving actual or alleged violations of anti-corruption and anti-money laundering laws can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery, or anti-money-laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, financial condition and future prospects could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, results of operations, financial condition and future prospects.

## **Risks Relating to Intellectual Property**

***Our use of open source software could negatively affect our proprietary technologies and our ability to offer and sell subscriptions to our products and could subject us to possible litigation.***

Certain of the technologies we currently use incorporate open source software, or OSS, and we expect to continue to utilize OSS in the future. OSS is licensed by its authors under a variety of license types. Some of these licenses (often called “hereditary” or “viral” licenses) contain requirements that could cause us to make available the source code of the modifications or derivative works that we create based upon the licensed OSS, and that we license such modifications or derivative works under the terms of a particular open source license granting third parties certain rights of further use. By the terms of such open source licenses, we also could be required to release the source code of our proprietary (closed-source) software, and to make our proprietary software available under open source licenses, if we combine and/or distribute our proprietary software with such open source software in a manner that triggers the obligation of the license. Although we monitor our use of open source software in a manner designed to avoid such risks, we cannot be sure that all OSS and their associated licenses are reviewed prior to use in our proprietary software, that our programmers have not incorporated open source software into our proprietary software in a manner triggering such adverse licensing obligations, or that they will not do so in the future. Additionally, the terms of many open source licenses have not been interpreted by U.S. or other courts, and these licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our products. We may face claims from others claiming ownership of open source software or patents reading on that software, rights to our intellectual property or breach of open source license terms, including a demand for release of material portions of our source code or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation, which could be costly to defend, require us to purchase a costly license (such as a commercial version of an open source license), require us to establish additional specific open source compliance procedures, or require us to devote additional research and development resources to remove open source elements from or otherwise change our solutions, any of which would have a negative effect on our business, results of operations, financial condition and future prospects. Any of the foregoing could disrupt and harm our business, results of operations, financial condition and future prospects.

***If we are unable to adequately protect our intellectual property to prevent unauthorized use or appropriation, the value of our brand and other intangible assets, as well as our business, results of operations, financial condition and future prospects may be adversely affected.***

We rely and expect to continue to rely on confidentiality and license agreements with our employees, consultants and third parties, and on trademark, copyright, trade secret, and domain name protection laws, to protect our proprietary rights. We have no issued patents, and have 17 U.S. trademark registrations and 17 pending U.S. trademark applications, and additional trademark registrations outside of the United States. Third parties may knowingly or unknowingly infringe on or challenge our proprietary rights, and pending and future trademark or other intellectual property applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In these cases, we may expend significant time and expense to prevent infringement and enforce our rights. We cannot assure you that others will not offer services or concepts that are substantially similar to ours and compete with our business. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our services, business practices or operations, which may have an adverse effect on our business, results of operations, financial condition and future prospects.

***Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and proprietary information.***

We have devoted substantial resources to the development of our intellectual property and proprietary rights. In order to protect our intellectual property and proprietary rights, we rely in part on confidentiality

agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

### **Risks Relating to Ownership of Our Common Stock and this Offering**

***The market price of our common stock may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the initial public offering price, if at all.***

The initial public offering price for our common stock will be determined through negotiations between the underwriters and us and may vary from the market price of our common stock following our initial public offering. If you purchase shares of our common stock in this offering, you may not be able to resell those shares at or above the initial public offering price, if at all. We cannot assure you that the initial public offering price of our common stock, or the market price following this offering, will equal or exceed prices in privately negotiated transactions of our shares that have occurred from time to time prior to this offering. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and results of operations;
- the operating and financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- variance in our financial performance from expectations of securities analysts;
- increase or loss of customers;
- fluctuations in product sales mix;
- changes in our pricing strategy or those of our competitors;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies;
- our involvement in any litigation;
- actual or anticipated changes in our growth rate relative to those of our competitors;
- announcements of technological innovations or new services offered by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- additions or departures of key personnel;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or investor expectations;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- additional shares of our common stock or other securities being sold into the market by us or our existing stockholders or the anticipation of such sales, including if existing stockholders sell shares into the market when applicable “lock-up” periods end;

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- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events; and
- general economic, political, regulatory and market conditions.

Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. If the market price of our common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could adversely affect our business, results of operations, financial condition and future prospects.

***A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is performing well.***

Sales of a substantial number of shares of our common stock in the public market after our initial public offering, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our common stock. After this offering, we will have \_\_\_\_\_ outstanding shares of common stock, based on the number of shares of our common stock outstanding as of March 31, 2021, assuming no exercise by the underwriters' option to purchase additional shares in this offering. This number includes \_\_\_\_\_ shares that we are selling in this offering, which may be resold in the public market immediately without restriction, unless purchased by our affiliates. The remaining \_\_\_\_\_ shares of our common stock outstanding after this offering, based on \_\_\_\_\_ shares outstanding as of March 31, 2021, are currently restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers for at least 180 days after the date of this prospectus, subject to certain extensions, but will generally be able to be sold after the offering as described in the sections titled "Shares Eligible for Future Sale" and "Underwriting."

After this offering, the holders of \_\_\_\_\_ shares of common stock, or \_\_\_\_\_ % of our total outstanding common stock, based on \_\_\_\_\_ shares outstanding as of March 31, 2021 and giving effect to the sale of shares by us, will be entitled to rights pursuant to an investors' rights agreement and related agreements, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If these holders of our common stock sell a large number of shares by exercising their registration rights, they could adversely affect the market price for our common stock. If we file a registration statement for the purposes of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired. We intend to register all shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described in the section titled "Underwriting."

***No public market for our common stock currently exists, and an active public trading market may not develop or be sustained following this offering.***

Prior to this offering, there has been no public market for our common stock. Although we expect to apply to list our common stock on \_\_\_\_\_, an active trading market may not develop following the completion of this

offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

***If you purchase shares of our common stock in this offering, you will experience substantial and immediate dilution.***

The initial public offering price of our common stock will be substantially higher than the pro forma as adjusted net tangible book value per share of our common stock as of March 31, 2021, immediately after this offering. Therefore, if you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds our pro forma as adjusted net tangible book value per share immediately after this offering. Based on an assumed initial public offering price of \$            per share, which is the midpoint of the estimated price range on the cover page of this prospectus, you will experience immediate dilution of \$            per share, or \$            per share if the underwriters exercise their option to purchase additional shares in this offering in full, representing the difference between our pro forma as adjusted net tangible book value per share after this offering and the initial public offering price per share. If outstanding options or RSUs are exercised or settled in the future, you will experience additional dilution. See the section titled “Dilution” for additional information.

***We have broad discretion in the use of our cash and cash equivalents, including the net proceeds from this offering, and may use them ineffectively, in ways with which you do not agree or in ways that do not increase the value of your investment.***

We intend to use the net proceeds to us from this offering primarily for general corporate purposes, including working capital and capital expenditures, and to repay \$            of the outstanding indebtedness under the 2018 Term Loan. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions, businesses or assets that complement our business or operations, although we have no present commitments or agreements to enter into any such acquisitions or investments after this offering. However, we will have broad discretion over the uses of the net proceeds, as well as our cash and cash equivalents, and we may spend or invest them in ways that our stockholders disagree with, that cause the price of our common stock to decline or that could adversely affect our business, results of operations, financial condition and future prospects.

***We do not intend to pay dividends for the foreseeable future, which could reduce the attractiveness of our stock to some investors.***

Although we have paid cash dividends to our stockholders in the past, we currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. In addition, the 2018 Credit Agreement contains restrictions on our ability to pay dividends. As a result, you must rely on sales of your common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investments for the foreseeable future.

***Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.***

Based upon our shares of our common stock outstanding as of March 31, 2021, upon the completion of this offering, our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock before this offering will, in the aggregate, beneficially own shares representing approximately    % of our outstanding common stock. If our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock acted together, they may be able to significantly influence all matters requiring

stockholder approval, including the election and removal of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. The concentration of voting power and transfer restrictions could delay or prevent an acquisition of our company on terms that other stockholders may desire or result in the management of our company in ways with which other stockholders disagree.

***Provisions in our corporate charter documents and provisions under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our corporate charter and our bylaws that will become effective upon the completion of this offering may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that not all members of the board are elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a stockholder rights plan, or so-called “poison pill,” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 66 2/3% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired 15% or more of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for our common stock, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

***Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated certificate of incorporation, as will be in effect upon the completion of this offering, will provide that unless we consent in writing to the selection of an alternative forum, the Court of

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Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court thereof shall be the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative claim or cause of action brought on our behalf;
- any claim or cause of action asserting a breach of fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders;
- any claim or cause of action against us or any of our current or former directors, officers or other employees arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation and amended and restated bylaws;
- any claim or cause of action arising under or seeking to interpret our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any claim or cause of action against us or any of our current or former directors, officers or other employees that is governed by the internal affairs doctrine or otherwise related to our internal affairs.

The provisions would not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, or the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will further provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering.

While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

### **General Risk Factors**

*As a public company, we will be subject to more stringent federal and state law requirements.*

As a public company, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, the listing requirements of The Nasdaq Stock Market LLC, and other



applicable securities rules and regulations. Despite reforms made possible by the Jumpstart Our Business Startups Act of 2012 (the JOBS Act), compliance with these rules and regulations will nonetheless increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an “emerging growth company.” The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, results of operations, financial condition and future prospects could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our brand and reputation, business, results of operations, financial condition and future prospects.

We may also be subject to more stringent state law requirements. For example, on September 30, 2018, California Governor Jerry Brown signed into law Senator Bill 826, or SB 826, which generally requires public companies with principal executive offices in California to have a minimum number of females on the company’s board of directors. By December 31, 2019, each public company with principal executive offices in California was required to have at least one female on its board of directors. By December 31, 2021, each public company is required to have at least two females on its board of directors if the company has at least five directors, and at least three females on its board of directors if the company has at least six directors. The new law does not provide a transition period for newly listed companies. Additionally, on September 30, 2020, California Governor Gavin Newsom signed into law Assembly Bill 979, or AB 979, which generally requires public companies with principal executive offices in California to include specified numbers of directors from “underrepresented communities.” A director from an “underrepresented community” means a director who self-identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, Alaska Native, gay, lesbian, bisexual or transgender. By December 31, 2021, each public company with principal executive offices in California is required to have at least one director from an underrepresented community. By December 31, 2022, a public company with more than four but fewer than nine directors will be required to have a minimum of two directors from underrepresented communities, and a public company with nine or more directors will need to have a minimum of three directors from underrepresented communities. Similar to SB 826, AB 979 does not provide a transition period for newly listed companies. If we fail to comply with either SB 826 or AB 979, we could be fined by the California Secretary of State, with a \$100,000 fine for the first violation and a \$300,000 fine for each subsequent violation of either law, and our reputation may be adversely affected.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

***If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.***

Our stock price and trading volume will be heavily influenced by the way analysts and investors interpret our financial information and other disclosures. If securities or industry analysts do not publish research or reports about our business, delay publishing reports about our business or publish negative reports about our business, regardless of accuracy, our stock price and trading volume could decline.

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts.

If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline. Even if our common stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results. Over-reliance by analysts or investors on any particular metric to forecast our future results may result in forecasts that differ significantly from our own.

Regardless of accuracy, unfavorable interpretations of our financial information and other public disclosures could have a negative impact on our stock price. If our financial performance fails to meet analyst estimates, for any of the reasons discussed above or otherwise, or one or more of the analysts who cover us downgrade our common stock or change their opinion of our common stock, our stock price would likely decline.

***The COVID-19 pandemic could have an adverse effect on our business, financial condition, results of operations and prospects.***

In connection with the COVID-19 pandemic, governments have implemented significant measures, including closures, quarantines, travel restrictions and other social distancing directives, intended to control the spread of the virus. Companies have also taken precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. To the extent that these restrictions remain in place, additional prevention and mitigation measures are implemented in the future, or there is uncertainty about the effectiveness of these or any other measures to contain or treat COVID-19, there has been and continues to be an adverse impact on global economic conditions and consumer confidence and spending, which could adversely affect our business as well as the demand for our products. The fluid nature of the COVID-19 pandemic and uncertainties regarding the related economic impact are likely to result in sustained market turmoil, which could also have an adverse effect on our business, financial condition, results of operations and prospects.

Further, the COVID-19 pandemic may impact customer demand. Our customers may be impacted if governments continue to implement regional business closures, quarantines, travel restrictions and other social distancing directives to slow the spread of the virus. To the extent our customers' operations are negatively impacted, our customers may reduce demand for or spending on our products, or customers may delay payments to us or request payment or other concessions. There may also be significant reductions or volatility in demand for our services, as well as the temporary inability of customers to purchase our products due to illness, quarantine or financial hardship, shifts in demand away from one or more of our products, decreased consumer confidence and spending or pantry-loading activity, any of which may negatively impact our results, including as a result of an increased difficulty in planning for operations. While, in 2020, we saw tailwinds in our business driven by the COVID-19 pandemic, as individuals and small businesses turned to online services given the relative inaccessibility of offline alternatives, and we believe these shifts represent an acceleration of existing trends toward greater adoption of online services, these tailwinds and trends could moderate or reverse over time.

The extent of the COVID-19 pandemic's effect on our operational and financial performance will depend on future developments, including the duration and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of the COVID-19 pandemic on our business. However, if the pandemic continues to persist as a severe worldwide health crisis, the disease could have an adverse effect on our business, financial condition, results of operations and prospects, and may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

***We are an "emerging growth company," and we cannot be certain if the reduced reporting requirements applicable to "emerging growth companies" will make our common stock less attractive to investors.***

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements

that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of some or all of these reporting exemptions until we are no longer an “emerging growth company.” We will remain an “emerging growth company” until the earlier of (i) the last day of the fiscal year following the fifth anniversary of the completion of this offering, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least \$1.07 billion, (iii) the last day of the first fiscal year in which we are deemed to be a large accelerated filer, which means in part that the market value of our common stock that is held by non-affiliates equals or exceeds \$700 million as of the prior June 30th, and (iv) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

As an “emerging growth company,” the JOBS Act allows us to delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not “emerging growth companies.”

***Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.***

U.S. generally accepted accounting principles, or GAAP, are subject to interpretation by the Financial Accounting Standards Board, or FASB, the U.S. Securities and Exchange Commission, or SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*, also known as ASC 842, which will require lessees to recognize a right-of-use assets and lease liabilities for operating leases, initially measured at the present value of the lease payments, on its balance sheet for operating leases. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis.

We are planning to adopt ASC 842 effective January 1, 2022. We are in the process of evaluating the impact ASC 842 will have on our consolidated financial statements and related disclosures. Our prior historical financial information for the year ended December 31, 2020 and three months ended March 31, 2021 and prior periods will continue to be reported in accordance with historical accounting standards. These or other changes to existing rules may harm our operating results and affect the comparability of our results from period to period.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections titled “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, capital expenditures, use of proceeds from this offering, introduction of new services and enhancements to our current platform, regulatory compliance, target ratio of lifetime value to customer acquisition costs, plans for growth and future operations, the size of our addressable market and market trends, as well as assumptions relating to the foregoing. In some cases you can identify forward-looking statements by terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “aim,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “will,” “would,” or the negative or plural of these words or similar expressions. Actual events or results may differ from those expressed in these forward-looking statements, and these differences may be material and adverse.

We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described in the section titled “Risk Factors” and elsewhere in this prospectus. These risks are not exhaustive. Other sections of this prospectus include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations, except as required by law.

## MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates and information concerning our industry, including market size and growth of the markets in which we participate, that are based on industry publications and reports. In some cases, we do not expressly refer to the sources from which these estimates and information are derived. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors.” These and other factors could cause results to differ materially from those expressed in these publications and reports.

The sources of certain statistical data, estimates, and forecasts contained in this prospectus are the following independent industry sources:

- Center for American Progress, *Making Justice Equal*, December 2016.
- Ernst & Young Global Limited, *How COVID-19 has triggered a spring toward smarter health care*, March 2021.
- IBISWorld, *Online Legal Services, Cyber security: Persistent expansion in the total number of US businesses will likely increase the industry’s client base*, November 2020.
- MBO Partners, *The State of Independence in America 2020*, December 2020.
- McKinsey & Company, *Elevating Customer Experience Excellence in the Next Normal*, May 2020.
- NSBA—National Small Business Association, or NSBA, *2017 NSBA Small Business Regulations Survey*, January 2017.
- Themis Solutions Inc., *Legal Trends Report Powered by Clio*, 2018.
- Themis Solutions Inc., *Legal Trends Report by Clio*, 2019.

In addition, statements in this prospectus referring to Dynata refer to the collection and analysis of aided and unaided brand awareness data that is shared with us on a quarterly basis by Dynata LLC, a global online market research firm, based on surveys hosted by Dynata from the period of 2015-2020. “Aided brand awareness” means the percentage of survey respondents who expressed knowledge of a specific brand when asked about that brand by name and “unaided brand awareness” means the percentage of survey respondents who expressed knowledge of a specific brand without mentioning the name of that brand when asked about awareness of online legal services.

Statements in this prospectus referring to the Kantar study refer to an addressable market sizing study of small businesses under 50 employees and consumers aged 25-65 in the United States conducted with data provided by Kantar Consulting, a marketing and sales consultancy, in February 2019, which we commissioned.

Statements in this prospectus referring to the Magid study refer to a small and mid-sized business opportunities study based on panel data of business owners and LegalZoom customers conducted by Magid Consulting Inc. in March 2021, which we commissioned.

We monitor our estimated share of total business formations in the United States every year, which we estimate to be 4.4 million. There are many widely-cited sources of data on small business formation. The U.S. Census reports business formation statistics for new businesses with employees. This data relates to employer firms, and is based on new employer identification number, or EIN, applications with the IRS and statistical estimates of the number of EIN applications that will result in a new employee. In 2020, there were 4.4 million EIN applications, with 1.5 million categorized as high propensity to turn into a business with payroll. The U.S. Census also reports the total number of sole proprietorships operating in the United States based on IRS filings. A small business is considered a sole proprietorship by default if it does not officially form. However, sole proprietorships that have formed as an LLC may file with the IRS as a sole proprietorship. There is no reliable data for the number of LLCs in operation or the number of new sole proprietorships formed. We analyze employer firm data and secretary of state filings to derive our estimate of small businesses formed each year.

## USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the shares of our common stock offered by us will be approximately \$      million, based on an assumed initial public offering price of \$      per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares from us in this offering is exercised in full, we estimate that our net proceeds will be approximately \$      million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of common stock in this offering by the selling stockholders.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$      per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$      million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$      million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and facilitate our future access to the public capital markets. We currently intend to use the net proceeds to us from this offering primarily (1) to repay \$      of the outstanding indebtedness under our 2018 Term Loan, which matures on November 21, 2024, and which may carry, at our option, an interest rate equal to either (a) LIBOR (or a comparable successor rate approved by the administrative agent and us), plus a margin of 4.50% per annum, or (b) the base rate plus a margin of 3.50% per annum, which margin may decrease depending on our total net first lien leverage ratio, and with the base rate being the highest of (i) the federal funds rate plus 1/2 of 1%, (ii) the prime rate as publicly announced by JPMorgan Chase, (c) LIBOR plus 1.00%, and (d) 2%, which indebtedness is as further described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings," and (2) for general corporate purposes, including working capital, operating expenses and capital expenditures. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, businesses, products, services or other assets that complement our business or operations, although we have no present commitments or agreements to enter into any acquisitions or investments.

The expected use of net proceeds from this offering represents our intentions based upon our current plans and business conditions, which could change in the future as our plans and business conditions evolve. We cannot predict with certainty all of the particular uses for the proceeds of this offering or the amounts that we will actually spend on the uses set forth above. Our management will have broad discretion in applying the net proceeds of this offering. Pending their use, we intend to invest the net proceeds of this offering in a variety of capital-preservation investments, including short- and intermediate-term investments, interest-bearing investments, investment-grade securities and government securities and money market funds.

**DIVIDEND POLICY**

Although we have paid cash dividends on our capital stock in the past, we currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant. In addition, the 2018 Credit Agreement contains restrictions on our ability to pay dividends.

## CAPITALIZATION

The following table shows our cash and cash equivalents, restricted cash equivalent and our capitalization as of March 31, 2021 on:

- an actual basis;
- a pro forma basis, giving effect to: (1) the automatic conversion of all 23,081,080 shares of our outstanding redeemable convertible preferred stock as of March 31, 2021 into an aggregate of 46,162,160 shares of our common stock upon the completion of this offering and the related reclassification of the carrying value of the redeemable convertible preferred stock to stockholders' deficit upon the completion of this offering; (2) additional stock-based compensation expense of approximately \$      million associated with certain options and RSUs for which the performance condition is satisfied upon the completion of this offering, assuming the offering occurred on January 1, 2021, recorded as an increase to additional paid-in capital and accumulated deficit; (3) the vesting and settlement of      RSUs outstanding as of March 31, 2021, net of      shares surrendered for withholding taxes (based on an assumed      % tax withholding rate), that will vest upon the completion of this offering; (4) the lapse of the restriction on \$25.0 million of our restricted cash equivalent upon the repayment of a personal loan by a former executive prior to the completion of this offering; and (5) the filing and effectiveness of our amended and restated certificate of incorporation immediately after the completion of this offering; and
- a pro forma as adjusted basis, giving effect to the pro forma adjustments discussed above, and giving further effect to: (1) the sale of shares of common stock in this offering by us at an assumed initial public offering price of \$      per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (2) the repayment of \$      million of outstanding indebtedness under the 2018 Term Loan after the completion of this offering.



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You should read this table together with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of March 31, 2021		
	(Unaudited)		
	Actual	Pro Forma	Pro Forma, As Adjusted(1)
	(in thousands, except share and par value data)		
Cash and cash equivalents	\$ 141,175	\$	\$
Restricted cash equivalent	\$ 25,000	\$	\$
Principal amount of 2018 Term Loan(2)	\$ 522,963	\$	\$
Redeemable convertible preferred stock, \$0.001 par value: 30,512,000 shares authorized, 23,081,080 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	70,906		
<b>Stockholders’ deficit:</b>			
Preferred stock, \$0.001 par value: no shares authorized, issued and outstanding, actual; shares authorized and no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Common stock, \$0.001 par value: 264,720,000 shares authorized, 125,299,386 shares issued outstanding, actual; and shares authorized, and shares issued and outstanding, pro forma and pro forma as adjusted, respectively	126		
Additional paid-in capital	106,288		
Accumulated other comprehensive loss	(10,863)		
Accumulated deficit	(649,171)		
<b>Total stockholders’ deficit</b>	<b>(553,620)</b>		
<b>Total capitalization</b>	<b>\$ 40,249</b>	<b>\$</b>	<b>\$</b>

- (1) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ deficit and total capitalization by approximately \$ million, assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ deficit and total capitalization by approximately \$ million, assuming the assumed initial public offering price of \$ per share remains the same, and after deducting estimated underwriting discounts and commissions payable by us.
- (2) Excludes debt issuance costs of \$8.9 million.

If the underwriters exercise their option to purchase additional shares of common stock from us and the selling stockholders in full, pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ deficit, total capitalization, and shares of common stock outstanding as of March 31, 2021 would be \$ , \$ , \$ , \$ , and , respectively. The pro forma as adjusted information set forth above is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing.

The total number of shares of our common stock issued and outstanding, pro forma and pro forma as adjusted, in the table above is based on shares of common stock outstanding as of March 31, 2021, which gives effect to the pro forma transactions described above and excludes:

- 14,952,784 shares of common stock issuable upon the exercise of outstanding options as of March 31, 2021, granted pursuant to our 2016 Stock Incentive Plan, or 2016 Plan, at a weighted-average exercise price of \$8.93 per share;

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- shares of common stock issuable upon the settlement of RSUs outstanding as of March 31, 2021, granted pursuant to our 2016 Plan that would not have satisfied the market vesting conditions or service-based vesting condition as of March 31, 2021, which excludes 55,358 shares of common stock issuable pursuant to RSUs that would have satisfied the service-based vesting condition as of March 31, 2021;
- 504,487 shares of common stock issuable upon the settlement of RSUs granted between March 31, 2021 and May 17, 2021, granted pursuant to our 2016 Plan;
- shares of our common stock reserved for future issuance under our 2021 Equity Incentive Plan, or 2021 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future automatic annual increases in the number of shares of common stock reserved for issuance under our 2021 Plan; and
- shares of our common stock reserved for future issuance under our 2021 Employee Stock Purchase Plan, or ESPP, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future automatic annual increases in the number of shares of common stock reserved for issuance under our ESPP.

## DILUTION

If you invest in our common stock, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. The historical net tangible book value as of March 31, 2021 was \$      million, or \$      per share. Historical net tangible book value per share is our historical net tangible book value divided by the number of shares of our common stock outstanding as of March 31, 2021.

Our pro forma net tangible book value as of March 31, 2021 was \$      million, or \$      per share of our common stock, based on the total number of shares of our common stock outstanding as of that date. Pro forma net tangible book value per share represents our total tangible assets less our total liabilities, divided by the number of outstanding shares of common stock, after giving effect to: (1) the automatic conversion of all 23,081,080 shares of our outstanding redeemable convertible preferred stock as of March 31, 2021 into an aggregate of 46,162,160 shares of our common stock upon the completion of this offering and the related reclassification of the carrying value of the redeemable convertible preferred stock to stockholders' deficit upon the completion of this offering; (2) additional stock-based compensation expense of approximately \$      million associated with certain options and RSUs for which the performance condition is satisfied upon the completion of this offering, assuming the offering occurred on March 31, 2021, recorded as an increase to additional paid-in capital and accumulated deficit; (3) the vesting and settlement of      RSUs outstanding as of March 31, 2021, net of      shares surrendered for withholding taxes (based on an assumed      % tax withholding rate), that will vest upon the completion of this offering; and (4) the lapse of the restriction on \$25.0 million of our restricted cash equivalent upon the repayment of a personal loan by a former executive prior to the completion of this offering.

After giving effect to (1) the sale of      shares of common stock in this offering at an assumed initial public offering price of \$      per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and (2) the repayment of \$      million of our outstanding indebtedness under the 2018 Term Loan after the completion of this offering, our pro forma as adjusted net tangible book value as of March 31, 2021 would have been \$      million, or \$      per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$      per share to our existing stockholders and an immediate dilution of \$      per share to new investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share	\$
Historical net tangible book value per share as of March 31, 2021	\$
Pro forma increase in net tangible book value per share as of March 31, 2021 attributable to the pro forma transactions described above	_____
Pro forma net tangible book value per share as of March 31, 2021	_____
Increase in pro forma net tangible book value per share attributable to new investors participating in this offering	_____
Pro forma as adjusted net tangible book value per share, as adjusted to give effect to this offering	_____
Dilution per share to new investors participating in this offering	\$ _____

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$      per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by \$      per share and the dilution per

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share to new investors participating in this offering by \$ \_\_\_\_\_ per share, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, an increase of \_\_\_\_\_ million in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase the pro forma as adjusted net tangible book value per share after this offering by \$ \_\_\_\_\_ and decrease the dilution per share to new investors participating in this offering by \$ \_\_\_\_\_ per share, assuming the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. A decrease of 1.0 million shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would decrease the pro forma as adjusted net tangible book value per share after this offering by \$ \_\_\_\_\_ per share and increase the dilution per share to new investors participating in this offering by \$ \_\_\_\_\_ per share, assuming the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us.

If the underwriters exercise in full their option to purchase an additional \_\_\_\_\_ shares of our common stock from us and the selling stockholders, the pro forma as adjusted net tangible book value per share of our common stock after giving effect to this offering would be \$ \_\_\_\_\_ per share, representing an immediate increase in the pro forma net tangible book value per share to existing stockholders of \$ \_\_\_\_\_ per share, and immediate dilution of \$ \_\_\_\_\_ per share to new investors participating in this offering.

	<u>Shares Purchased</u> <u>Number</u>	<u>Percent</u>	<u>Total Consideration</u> <u>Amount</u>	<u>Percent</u>	<u>Average Price</u> <u>Per Share</u>
Existing stockholders		%	\$	%	\$
New investors			\$		\$
Totals		<u>100.0%</u>	<u>\$</u>	<u>100.0%</u>	

Sales by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to \_\_\_\_\_ shares, or \_\_\_\_\_ % of the total number of shares of our capital stock outstanding following the completion of this offering, and will increase the number of shares held by new investors to \_\_\_\_\_ shares, or \_\_\_\_\_ % of the total number of shares of our capital stock outstanding following the completion of this offering. After giving effect to the sale of shares in this offering by us and the selling stockholders, if the underwriters exercise in full their option to purchase additional shares from us and the selling stockholders, the number of shares held by existing stockholders will be reduced to \_\_\_\_\_ shares, or \_\_\_\_\_ % of the total number of shares of our common stock outstanding following the completion of this offering, and will increase the number of shares held by new investors to \_\_\_\_\_ shares, or \_\_\_\_\_ % of the total number of shares outstanding following the completing of this offering.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ \_\_\_\_\_ million, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The foregoing table and calculations (other than the historical net tangible book value calculation) are based on \_\_\_\_\_ shares common stock outstanding as of March 31, 2021, which gives effect to the pro forma transactions described above and excludes:

- 14,952,784 shares of common stock issuable upon the exercise of outstanding options as of March 31, 2021, granted pursuant to our 2016 Stock Incentive Plan, or 2016 Plan, at a weighted-average exercise price of \$8.93 per share;

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- shares of common stock issuable upon the settlement of RSUs outstanding as of March 31, 2021, granted pursuant to our 2016 Plan that would not have satisfied the market vesting conditions or service-based vesting condition as of March 31, 2021, which excludes 55,358 shares of common stock issuable pursuant to RSUs that would have satisfied the service-based vesting condition as of March 31, 2021;
- 504,487 shares of common stock issuable upon the settlement of RSUs granted between March 31, 2021 and May 17, 2021, granted pursuant to our 2016 Plan;
- shares of our common stock reserved for future issuance under our 2021 Plan, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future automatic annual increases in the number of shares of common stock reserved for issuance under our 2021 Plan; and
- shares of our common stock reserved for future issuance under our ESPP, which will become effective immediately prior to the execution of the underwriting agreement related to this offering, as well as any future automatic annual increases in the number of shares of common stock reserved for issuance under our ESPP.

To the extent that any outstanding options are exercised, new options or other equity awards are issued under our equity incentive plans, or we issue additional shares in the future, there will be further dilution to new investors participating in this offering.

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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with the section titled "Prospectus Summary—Summary Consolidated Financial and Other Data," and our consolidated financial statements and accompanying notes included elsewhere within this prospectus. This discussion includes both historical information and forward-looking information that involves risks, uncertainties and assumptions. Our actual results may differ materially from management's expectations as a result of various factors, including but not limited to those discussed in the sections titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements." The objective of this section is to provide investors an understanding of the financial drivers and levers in our business and describe the financial performance of the business.*

### Overview

LegalZoom is a leading online platform for legal and compliance solutions in the United States. In 2020, 10% of new limited liability companies, or LLCs, and 5% of new corporations in the United States were formed via LegalZoom. Our unique position at business inception allows us to become a trusted business advisor, supporting the evolving needs of a new business across its lifecycle. Along with formation, LegalZoom offerings include ongoing compliance and tax advice and filings, trademark filings, and estate plans. Additionally, we have unique insights into our customers and leverage our product as a channel to introduce small businesses to leading brands in our partner ecosystem, solving even more of their business needs. We operate across all 50 states and over 3,000 counties in the United States, and have more than 20 years of experience navigating complex regulation and simplifying the legal and compliance process for our customers.

The U.S. legal and regulatory landscape is broad and varied, complex, opaque, and constantly evolving, in particular with respect to the following:

- *Multiple third-party interactions.* The simple act of forming an LLC or incorporating a corporation may require specific federal, state, county and city interactions, each with their own idiosyncrasies. For instance, in Louisiana, the state registration portal asks the not yet formed business for its EIN before completing a formation. For many consumers, this would require that they stop their filing and secure an EIN with the IRS before returning to the Louisiana registration portal, where they would need to restart the formation process again. In South Carolina, in order to incorporate, a small business must engage an attorney licensed in that state to certify its application for formation.
- *Compliance requirements are complex.* At formation, basic compliance requirements are not anticipated or understood. More advanced requirements are dictated by industry, geography, and employer type. For instance, a restaurant in Miami with even a single employee would be required to file for formation, have a registered agent, adopt an operating agreement, get an EIN, register for sales tax, receive nine business licenses and have business insurance, among other things.
- *Regulations change constantly.* The myriad of regulatory bodies and potential compliance requirements are daunting on their own, and this dynamic is amplified by the fact that they are constantly changing and evolving. According to a 2017 NSBA Small Business Regulations Survey, 44% of small firms in the United States reported spending 40 hours or more each year dealing with new and existing federal regulations, and 30% spend 40 hours or more each year navigating state and local regulations.

Many small businesses operate without forming a legal entity, unintentionally introducing financial risk to the owners' personal assets. The businesses that recognize that risk upfront often struggle to address it. Once they understand the need to be protected, they often do not know what to do, where to turn or how much it will cost to get help. Even when formed properly, small businesses often fail to comply with ongoing compliance requirements, thereby reintroducing personal liability or facing significant financial and operational risk.

Furthermore, these difficulties are becoming more acute as the number of U.S. business formations increase, driven by various macroeconomic factors such as the rise of the gig economy and remote work, accentuating the need for a trusted, cost-effective, digital-first and simple legal and compliance solution.

LegalZoom commenced operations in 2000 so more people could access legal help. Initially, we focused on business formation, intellectual property, and estate planning. Over the years, we have expanded our offerings to cover a broader set of legal, compliance, tax and business services for small businesses. In 2020, we helped form 10% of all new LLCs and helped incorporate 5% of all new corporations in the United States. In addition, 25,000 trademark applications, or 6% of all trademark registration applications in the United States in 2020, were made through LegalZoom. At December 31, 2020, we had over 1.0 million subscription units outstanding and were one of the largest registered agent providers for small businesses in the United States. As a result of this success, we have become the leading brand in online legal services, with 70% aided brand awareness as of December 2020 according to a 2020 study hosted by Dynata.

As a result of our traction with our customers, we have achieved economies of scale that we expect to continue to leverage as we accelerate the growth of our business. We generated revenue of \$408.4 million in 2019 and \$470.6 million in 2020, representing a year-over-year increase of 15.2%, and \$105.8 million and \$134.6 million for the three months ended March 31, 2020 and 2021, respectively, representing a period-over-period increase of 27.3%. We had net income (loss) of \$7.4 million, \$9.9 million, \$(4.9) million and \$(9.8) million in 2019, 2020, and the three months ended March 31, 2020 and 2021, respectively. Adjusted EBITDA decreased from \$97.2 million in 2019 to \$88.0 million in 2020 and from \$13.4 million to \$3.6 million in the three months ended March 31, 2020 and 2021, as we invested further in marketing spend to expand our customer base and build on our digital brand leadership. Cash flows from operating activities increased from \$52.7 million in 2019 to \$93.0 million in 2020 and increased from \$21.9 million in the three months ended March 31, 2020 to \$31.4 million in the three months ended March 31, 2021. Free cash flow increased from \$34.3 million in 2019 to \$82.5 million in 2020, primarily as a result of growing deferred revenue, driven by an increase in subscription units, an increase in accounts payable due to the timing of our payments and lower capital expenditures for the purchase of property and equipment, including capitalization of internal-use software. Free cash flow increased from \$19.9 million in the three months ended March 31, 2020 to \$28.5 million in the three months ended March 31, 2021, primarily as a result of growth in deferred revenue driven by an increase in the number of transactions and subscription units. For 2019, 2020, and the three months ended March 31, 2020 and 2021, our free cash flow included cash payments for interest of \$37.3 million, \$27.9 million, \$8.3 million and \$6.1 million, respectively. Adjusted EBITDA and free cash flow are not financial measures calculated in accordance with GAAP. For further information about Adjusted EBITDA and free cash flow, see the section titled “—Non-GAAP Financial Measures.”

### **Our Business Model**

Our business model is to attract customers to LegalZoom at the time of business formation, and then continue to serve their legal and compliance needs for life with our mix of transaction and subscription services. Given this dynamic, growth in overall U.S. business formations is a key driver of our business. Overall, growth of U.S. business formations has proven to be consistent over time, while also being highly resilient to market downturns, growing 28 out of the past 30 years. Furthermore, our growth in business formations has outpaced overall business formation trends each year since we began tracking the data in 2006.

We processed 378,000 business formations in 2020. Alongside this initial business formation transaction, we offer subscription services and third-party partner offerings to help our small business customers with additional legal and business needs. Given the trust that we establish with small businesses at the time of formation, during 2020 and the three months ended March 31, 2021, over 60% of our small business customers purchased one year of one of our subscription services at the time of their initial formation purchase, and over half of our small business customers purchased at least one third-party solution at time of business formation. We consider our ability to attach additional products and services to a business formation as indicative of the value we are driving for small businesses.

We generate traffic through a combination of organic content, search and media spend across a diverse set of channels. Our first interaction with potential customers is often through our free, proprietary educational content, through which we earn trust and drive significant organic traffic. Additionally, our inside sales team utilizes inbound and outbound customer interactions to establish themselves as trusted advisors by helping our potential customers through the formation process, including by explaining the products and services they may need, generally resulting in AOV and higher subscription attach rates.

We continue to engage our customers after their initial purchase. Subscription revenue accounts for approximately half of our total revenue, and is indicative of the ongoing relationship we have with our customers. We measure the effectiveness of this ongoing relationship through our annual retention rate. For the three months ended March 31, 2021, our annual retention rate was 68%, an improvement of eight percentage points as compared to the three months ended March 31, 2020. This improvement was a result of adjustments to our pricing strategy, combined with product and lifecycle marketing improvements. Our annual retention rate includes the impact of business failure. According to the Bureau of Labor Statistics, approximately 20% of new businesses fail within one year of forming. We define our annual retention rate as the percentage of annual subscriptions related to business formations, acquired in the quarter one year ago that were still active subscriptions 13 months after their subscription start, excluding subscriptions from our U.K. business and from our employer group legal plan and small business concierge, for which we ceased acquiring new subscribers in October 2020. This measure typically only includes subscriptions that have aged at least 60 days in order to account for our customer satisfaction guarantee. Additionally, there are many reasons our customers come to us for another transactional purchase, including forming another business, satisfying annual compliance requirements, protecting their intellectual property with a trademark, patent or copyright or purchasing an estate plan to protect themselves personally. The primary reason customers come to us for another transactional purchase is to form another business. For each year since 2017, an average of 28% of our U.S. customers who purchased a transaction in such year had also purchased a transaction product in a prior year.

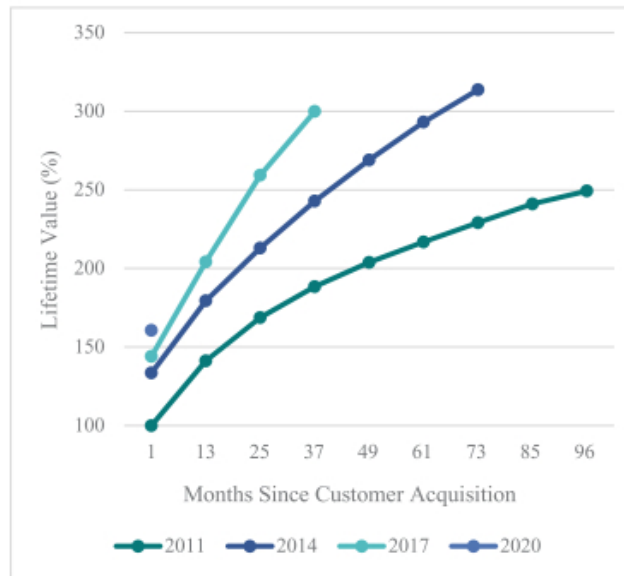
We primarily serve small business customers with our transaction and subscription offerings. We also offer transaction products and subscriptions to consumers. The majority of our revenue is from our small business customers. Transaction offerings include legal documents, business filings, and related services for small business owners and their families, such as business formations, annual compliance filings, intellectual property, estate planning documents, forms and agreements. Subscription offerings include compliance solutions and credentialed professional subscription services, including legal and tax advisory services. Approximately 60% of our subscription units as of December 31, 2020 and March 31, 2021 were for our registered agent service, a subscription service that most states require for businesses to receive legal notices and critical mail. We also introduce our customers to a variety of third-party partners, giving them access to critical services they need to start and run their business, such as business license services, bookkeeping services, banking services, productivity tools and business insurance, among others.

#### **Growing Lifetime Value per Business Formation Customer**

Our unit economic model is characterized by expanding customer lifetime value and efficient customer acquisition. We define lifetime value as bookings, net of estimated refunds and related cost of revenue, over the life of a business formation customer, excluding bookings from our business-to-business offering and UK business. Bookings include cash receipts for transactions and subscriptions, including payments due to us under the terms of contractual agreements for which we may not have yet received a payment. We measure lifetime value on an annual cohort basis. In the chart below each line shows the cumulative lifetime value generated by the annual cohort of customers acquired in that year, divided by the beginning number of customers in that cohort, indexed to one hundred percent based on month one of the 2011 cohort. Since 2011, we have grown both the initial lifetime value per acquired customer and the rate of lifetime value growth over time per acquired customer.



### Growth in Lifetime Value per Business Formation Customer (indexed to month one of 2011 cohort)



We deploy a disciplined customer acquisition strategy that has allowed us to generate lifetime value in excess of customer acquisition costs within the first 90 days of establishing a customer relationship in the United States. We define customer acquisition costs as customer acquisition media costs and sales costs, both for the initial acquisition and for renewal related costs. Customer acquisition media costs consist primarily of search engine marketing, television, over-the-top, digital video and radio costs. We intend to continue to invest in customer acquisition given the large market opportunity, and may strategically increase our target payback period to accelerate our growth.

As we continue to invest in customer acquisition costs to grow our business, we look to do so efficiently. We aim to achieve a ratio of lifetime value to customer acquisition costs of approximately 3x within 25 months of customer acquisition, and approximately 5x within 96 months of customer acquisition.

#### Our Evolution

LegalZoom started with a narrow focus on business formation, intellectual property and estate planning, and has since expanded into a broad platform, with professional expertise and expanded services, both legal and non-legal, to better meet the needs of small businesses.

We have created a powerful financial model that is characterized by:

*Accelerating growth.* We have seen accelerating revenue growth in our business, increasing from 4% year-over-year growth in the three months ended March 31, 2020 to 27% in the three months ended March 31, 2021. This growth has been driven by accelerating business formations, coupled with efficient customer acquisition. Business formation growth accelerated from a decline of (3%) for the three months ended March 31, 2020 to an increase of 51% for the three months ended March 31, 2021, as compared to the comparable period in the prior year. In addition, we have leveraged our leading brand, significant organic traffic, disciplined customer

acquisition strategy and strong competitive position to acquire new customers efficiently. Over the past several years, we have generated a lifetime value in excess of customer acquisition costs within the first 90 days of establishing a customer relationship in the United States.

*Attractive subscription model.* The sizeable and growing subscription portion of our business gives us highly recurring revenue. At March 31, 2021, over 85% of our subscription units were on annual terms billed at the start of the term. Additionally, in 2020 and the three months ended March 31, 2021, our average revenue per subscription unit, or ARPU, was \$223 and \$226, respectively.

*Ability to drive additional purchases and cross-sell customers.* Given the trusted relationship we establish with customers at time of business formation, we are able to develop ongoing relationships which allows us to sell them additional products and services over time. During 2020 and the three months ended March 31, 2021, over 60% of our small business customers purchased one year of one of our subscription services at the time of their initial formation purchase, and over half of our small business customers purchased at least one third-party solution at time of business formation. In addition, our ongoing customer engagement drives repeat purchase behavior. For example, in 2020, 27% of our transaction customers had also transacted with us in a prior year.

*Strong margins.* Our technology-enabled platform with a largely variable cost structure yields efficient unit economics. In addition, our subscription services have a higher gross margin than our transaction products, and as they have become an increasing percentage of our revenue mix over the years, overall gross margin has increased. Given these dynamics, we have been able to drive consistently high Adjusted EBITDA margins. Our net income (loss) was \$7.4 million, \$9.9 million, \$(4.9) million and \$(9.8) million for 2019, 2020, and for the three months ended March 31, 2020 and 2021, respectively. Our net income (loss) margin was 1.8%, 2.1%, (4.6)% and (7.3)% for 2019, 2020, and for the three months ended March 31, 2020 and 2021, respectively. While our Adjusted EBITDA decreased from \$97.2 million in 2019 to \$88.0 million in 2020, and from \$13.4 million to \$3.6 million in the three months ended March 31, 2020 and 2021, respectively, as we invested further in marketing spend to expand our customer base and build on our digital brand leadership, we generated Adjusted EBITDA margins of 23.8%, 18.7%, 12.6% and 2.7%, respectively.

*High cash flow generation.* As a result of our operating efficiencies, we have been able to generate significant cash flow. In addition to our profitability, we generally receive customer payments for our transaction and subscription services prior to rendering services, driving favorable working capital dynamics. Coupled with our cash generation, we are not highly capital intensive. For the year ended December 31, 2020 and for the three months ended March 31, 2020 and 2021, our capital expenditures for the purchase of property and equipment, including capitalization of internal-use software, averaged approximately 3.4% and 2.0% of total revenue, respectively. As a result of these dynamics, we generated net cash from operating activities of \$52.7 million, \$93.0 million, \$21.9 million and \$31.4 million in 2019, 2020 and the three months ended March 31, 2020 and 2021, respectively, and free cash flow of \$34.3 million, \$82.5 million, \$19.9 million and \$28.5 million in 2019, 2020 and the three months ended March 31, 2020 and 2021, respectively.

## **Key Business Metrics**

In addition to the measures presented in our consolidated financial statements, we regularly monitor the following financial and operating metrics to evaluate the growth of our business, measure the effectiveness of our marketing efforts, identify trends, formulate financial forecasts and make strategic decisions.

### ***Number of business formations***

We define the number of business formations in a given period as the number of global LLC, incorporation, not-for-profit and other formation orders placed on our platform in such period. We consider the number of business formations to be an important metric considering that it is typically the first product or service small business customers purchase on our platform, creating the foundation for additional products and subsequent subscription and partner revenue as they adopt additional products and services throughout their business lifecycles.

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The below table sets forth the number of business formations for the years ended December 31, 2019 and 2020, and the three months ended March 31, 2020 and 2021:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
Number of business formations	292	378	81	122

The growth in number of business formations on our platform during 2020 was primarily due to improved growth in overall U.S. business formations. Additionally, our market share of business formations increased and we expect to continue to grow our market share of new business formations.

### **Number of transactions**

We define the number of transactions in a given period as gross transaction order volume, prior to refunds, on our platform during such period, excluding transactions from our subsidiary, Beaumont ABS Limited, which was divested in April 2020. Transactions may include one or more services purchased at the same time. For example, a customer of our business formation services may choose to form an LLC and purchase an operating agreement and business licenses at the same time. This constitutes a single transaction. Refunds, or partial refunds, may be issued under certain circumstances pursuant to the terms of our customer satisfaction guarantee. We consider the number of transactions to be an important metric considering that our customers generally begin their LegalZoom journey with a transaction, creating the foundation for generating subsequent subscription and partner revenue.

The below table sets forth the number of transactions for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2020 and 2021:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
Number of transactions	691	892	210	276

We achieved 29.1% growth in transactions from 2019 to 2020, and 31.4% from the three months ended March 31, 2020 to the three months ended March 31, 2021. Our growth in number of transactions in 2020 was driven by improved growth in U.S. business formations such as LLCs and incorporations, as well as increased growth in estate planning transactions, in part due to the impact of the COVID-19 pandemic, which drove tailwinds in our business, as individuals and small businesses turned to online services given the relative inaccessibility of offline alternatives. In the three months ended March 31, 2021, transaction unit growth was driven by improved growth in U.S. business formations. We expect to continue to grow transactions, however the growth may fluctuate period over period based on the variability of overall business formations and estate planning transactions. In both 2019 and 2020, consumer transactions comprised approximately one-third of total transactions. While we cannot quantify the impact of the COVID-19 pandemic and whether our growth rate may moderate if trends toward greater adoption of online services, moderate or reverse over time, we expect the proportion of consumer transactions to decrease over time as we focus more of our investment in small business formations, which have a significantly higher order value.

### **Average order value**

We define AOV for a given period as total transaction revenue divided by total number of transactions in such period, excluding revenue and related transactions from our subsidiary, Beaumont ABS Limited, or Beaumont, which was divested in April 2020. We consider average order value to be an important metric given it indicates how much customers are spending on our platform. Estate planning transactions are generally at a lower price point, making our overall average order value lower than our typical price point for small business formations.

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The below table sets forth the average order value for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2020 and 2021:

	Year Ended December 31,		Three Moths Ended March 31,	
	2019	2020	2020	2021
Average order value	\$ 230	\$ 236	\$ 210	\$ 223

Average order value increased by 2.6% from 2019 to 2020 and by 6.2% from the three months ended March 31, 2020 to the three months ended March 31, 2021. Growth in average order value was primarily driven by increased customer adoption of our “Attorney Led Trademark” product in 2020 and by an increase in the proportion of small business formations (which have a significantly higher order value compared to other transactions) relative to total transactions for the three months ended March 31, 2021. Our goal is to grow average order value as we increase transactional product attach rates and the mix of higher-value credentialed professional assisted products. Growth may fluctuate period over period based on estate planning transactions and our ability to introduce and sell higher-value products.

### **Number of subscription units**

We define the number of subscription units in a given period as the paid subscriptions that remain active at the end of such period, excluding subscriptions from our employer group legal plan and small business concierge subscription service, which we ceased acquiring new subscribers in October 2020.

We consider the number of subscription units to be an important metric since subscriptions enable us to increase lifetime value through deeper, longer-term relationships with customers. Subscriptions typically range from 30 days to one year in duration and the vast majority of our new subscriptions originate from business formation orders and have an annual term. Our customers can have multiple subscriptions at the end of a period. For example, a popular combination for a new small business owner is attorney advice and registered agent subscriptions. Our registered agent offering comprised approximately 60% of our subscription units as of December 31, 2020 and March 31, 2021.

The below table sets forth the number of subscription units as of December 31, 2019 and 2020 and March 31, 2020 and 2021:

	As of December 31,		As of March 31,	
	2019	2020	2020	2021
Number of subscription units	921	1,085	936	1,146

(in thousands)

We achieved 17.8% growth in our number of subscription units in 2020 as compared to 2019, and 22.4% growth in the three months ended March 31, 2021 as compared to the same period in 2020, reflecting strong growth from our registered agent and attorney advice subscriptions primarily due to increased business formations and improved retention, partially offset by the result of our strategic decision to increase the initial price of our registered agent subscription. We aim to continue to grow subscription units by increasing attach rates and retention rates.

### **Average revenue per subscription unit**

We define ARPU as of a given date as subscription revenue for the 12-month period ended on such date, or LTM, divided by the average number of subscription units at the beginning and end of the LTM period, excluding revenue and subscriptions from our employer group legal plan and small business concierge subscription service, which we ceased acquiring new subscribers in October 2020. We consider ARPU to be an important metric because it helps to illustrate our ability to deepen our relationship with our existing customers as they purchase incremental and higher-value services. We have generated ARPU expansion in recent periods,

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and in 2020, ARPU increased 0.9% from 2019, and in the three months ended March 31, 2021, ARPU remained stable as compared to the three months ended March 31, 2020.

The below table sets forth ARPU for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2020 and 2021:

	Year		Three Months	
	Ended December 31,		Ended March 31,	
	2019	2020	2020	2021
Average revenue per subscription unit	\$ 221	\$ 223	\$ 226	\$ 226

We expect ARPU to remain relatively stable over time, as we plan to focus more of our efforts on increasing the number of subscription units rather than increasing pricing on existing subscription plans.

### Key Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including the following:

- *Our share of business formations.* The majority of our transaction revenue is generated by providing formation services to guide our customers through the transition from being aspiring business owners to actually launching their entities. We offer entity formation services for LLCs, corporations and non-profits. In each of 2019 and 2020 as well as the three months ended March 31, 2020 and 2021, business formations represented the largest share of our total transaction orders. In addition, business formations act as an entrance point for many customers to the LegalZoom ecosystem, where they then often purchase additional products and services. We grew our share of total U.S. business formations from 8.7% in 2019 to 10.0% in 2020, representing an increase of 15%, and expect we will continue to increase our share over time as small businesses become more comfortable with digital solutions and are better educated on the risks of not being protected. Our business depends on the continuation of new business formation in the United States, which may be seasonal in nature and dependent on macroeconomic factors, and even more so, our ability to increase our share of these formations.
- *Product leadership.* We have invested significantly in our user experience, which we believe is critical to converting customers and improving retention. These investments consist mainly of educational content creation, improving our website and application user interface, and creating and offering additional products and services, including the growing use of experts in the customer journey. The performance of our product is important to attracting new customers to our platform, maintaining a healthy subscriber base and retaining our customers.
- *Ability to enhance customer lifetime value.* Many of our subscribers have increased their cumulative spend with us over time as they have expanded their use of our platform to include additional products and subscription services. Our relationship with our small business customers typically starts with the formation of their business, and we can generate additional revenue as their businesses grow and their needs become more complex. We intend to further increase customer lifetime value by developing new products and subscription services such as tax advice and preparation to deepen customer relationships, and which in turn we expect will result in higher customer engagement and retention. Additionally, we offer third-party services via our partner ecosystem, and we expect to be able to generate incremental revenue and further increase our customer lifetime value via these offerings.
- *Investment in marketing.* We have invested, and expect that we will continue to invest, in our brand and the promotion of our services through our various customer acquisition channels, including search engine marketing, search engine optimization, television, digital video, social, radio, and our inside sales team to acquire new customers and grow our business. We frequently evaluate how we price, market, and sell transaction products in order to optimize our subscription business. Given our customer acquisition efficiency, we intend to increase our marketing spend over the medium term.

- *Investment in tax offerings.* Tax represents a natural adjacency in our mission to make legal and compliance services accessible to small businesses. Based on customer surveys, we estimate that approximately 70% of small business owners that sought a tax accountant did not have one at the time of their entity formation, but face tax implications as a result of the entity they choose. We have invested in launching our Tax Advisory offering. We incurred costs related to this investment in 2020 and to date in 2021, and anticipate continued investment throughout the remainder of 2021, as we believe that our tax offerings represent an attractive opportunity for incremental revenue growth.
- *Talent acquisition and retention.* We are focused on providing a quality employee experience as we believe the future success of our business is heavily dependent on our ability to attract and retain talented and highly productive employees, including software engineers, product designers, brand and performance marketers, and customer-facing positions. We compete for talent within the technology industry and believe that our strong brand recognition and greater company purpose are important, positive considerations in our ability to recruit talent. We also are scaling an in-house team of certified public accountants (CPAs), and enrolled agents that are critical to our tax offerings.
- *COVID-19 impact.* In 2020, we saw tailwinds driven by the COVID-19 pandemic, as individuals and small businesses turned to online services given the relative inaccessibility of offline alternatives. We believe these shifts represent an acceleration of existing trends toward greater adoption of online services, however our growth rate may moderate if these trends moderate or reverse over time.

## Key Components of our Results of Operations

### Revenue

We generate revenue from the sources identified below.

*Transaction revenue.* Transaction revenue is primarily generated from our customized legal document services upon fulfillment of these services. Transaction revenue includes filing fees and is net of cancellations, promotional discounts, sales allowances and credit reserves. Until April 2020, when we ceased providing such services, we also generated transaction revenue from our residential and commercial conveyancing business in the United Kingdom, and revenue for these services was recognized when delivered to the customer. Until July 2019, when we ceased providing such services, we also generated revenue from litigation services in the United Kingdom, and we recognized this revenue based on the time incurred by the attorneys at their market billing rates. In 2020, we commenced providing tax advice and filing services in the United States which are recognized at the point in time when the customer's tax return is filed and accepted by the applicable government authority.

*Subscription revenue.* Subscription revenue is generated primarily from subscriptions to our registered agent services, compliance packages, attorney advice, and legal forms services, in addition to software-as-a-service, or SaaS, subscriptions in the United Kingdom. In the fourth quarter of 2020, we commenced providing tax, bookkeeping and payroll subscription services. We recognize revenue from our subscriptions ratably over the subscription term. Subscription terms generally range from thirty days to one year. Subscription revenue includes the value allocated to bundled free-trials for our subscription services and is net of promotional discounts, cancellations, sales allowances and credit reserves and payments to third-party service providers such as legal plan law firms and tax service providers.

For transaction and subscription revenue, we generally collect payments and fees at the time orders are placed and prior to services being rendered. We record amounts collected for services that have not been performed as deferred revenue on our consolidated balance sheet. The transaction price that we record is generally based on the contractual amounts in our contracts and is reduced for estimated sales allowances for price concessions, charge-backs, sales credits and refunds, which are accounted for as variable consideration when estimating the amount of revenue to recognize.

*Partner revenue.* Partner revenue consists primarily of one-time or recurring fees earned from third-party providers from leads generated to such providers through our online legal platform. Revenue is recognized when

the related performance-based criteria have been met. We assess whether performance criteria have been met on a cost-per-click or cost-per-action basis.

See the section titled “—Critical Accounting Policies and Estimates—Revenue Recognition” for a description of the accounting policies related to revenue recognition, including arrangements that contain multiple deliverables.

#### ***Cost of revenue***

Cost of revenue includes all costs of providing and fulfilling our services. Cost of revenue primarily includes government filing fees; costs of fulfillment, customer care and credentialed professionals, and related benefits, including stock-based compensation, and costs of independent contractors for document preparation; telecommunications and data center costs, amortization of acquired developed technology, depreciation and amortization of network computers, equipment and internal-use software; printing, shipping and handling charges; credit and debit card fees; allocated overhead; legal document kit expenses; and sales and use taxes. We defer direct and incremental costs primarily related to government filing fees incurred prior to the associated service meeting the criteria for revenue recognition. These contract assets are recognized as cost of revenue in the same period the related revenue is recognized.

We expect our cost of revenue to increase in absolute dollars as we continue to invest in enhancing our customer experience and in new product development, including expert-assisted offerings for our Tax and Attorney-Assisted services.

#### ***Gross profit and gross margin***

Gross profit, or revenue less cost of revenue, and gross margin, or gross profit as a percentage of revenue, have been and will continue to be affected by various factors, primarily the mix between transaction, subscription and partner revenue. Our gross margin on subscription and partner revenue is higher than our gross margin on transaction revenue. Our gross margin expansion is also driven by automation improvements and digitization efforts. Further, our acquisitions of other companies have negatively impacted our gross margin in the short term, and any such future acquisitions could have a similar effect.

We expect our gross profit to increase in absolute dollars and our gross margin to increase modestly over the long term as we continue to focus on growing higher-margin subscription revenue and invest in fulfillment automation technologies. However, our gross margin could fluctuate from period to period due to fulfillment rates and seasonality.

#### ***Operating expenses***

Our operating expenses consist primarily of sales and marketing, technology and development, general and administrative expenses, and to a lesser extent, impairments of goodwill, long-lived assets and other assets, in addition to a loss on sale of a business in 2020.

#### ***Sales and marketing***

Sales and marketing expenses consist of customer acquisition media costs; compensation and related benefits, including stock-based compensation for marketing and sales personnel; media production; public relations and other promotional activities; general business development activities; an allocation of depreciation and amortization and allocated overhead. Customer acquisition media costs consist primarily of search engine marketing, television and radio costs. Marketing and advertising costs to promote our services are expensed in the period incurred. Media production costs are expensed the first time the advertisement is aired.

We intend to continue to make significant investments in sales and marketing to drive additional revenue, further penetrate our expanding addressable market, and build on our digital brand leadership and awareness. As a result, we expect our sales and marketing expenses to continue to increase in absolute dollars and to be our

largest operating expense category for the foreseeable future. Upon the closing of this offering, we are expected to incur significant stock-based compensation expense for certain options and restricted stock units, or RSUs, that may vest upon this offering. See the section titled “Prospectus Summary—Summary Consolidated Financial and Other Data” for additional information.

#### ***Technology and development***

Technology and development expenses consist primarily of personnel costs and related benefits, including stock-based compensation, expenses for outside consultants, an allocation of depreciation and amortization and allocated overhead. These expenses include costs incurred in the development and implementation of our websites, mobile applications, online legal platform, research and development and related infrastructure. Technology and development expenses are expensed as incurred, except to the extent that such costs are associated with internal-use software costs that qualify for capitalization.

We expect our technology and development expenses to continue to increase in absolute dollars for the foreseeable future as we invest in new products and services, enhancing our customer experience, and in production automation technologies. We expect our technology and development expenses to remain relatively consistent or increase as a percentage of our revenue over the long term, although our technology and development expenses may fluctuate as a percentage of our revenue from period to period due to seasonality and the timing and extent of these expenses. Upon the closing of this offering, we are expected to incur significant stock-based compensation expense for certain options and RSUs that may vest upon this offering. See the section titled “Prospectus Summary—Summary Consolidated Financial and Other Data” for additional information.

#### ***General and administrative***

Our general and administrative expenses relate primarily to compensation and related benefits, including stock-based compensation, for executive and corporate personnel, professional and consulting fees, an allocation of depreciation and amortization, allocated overhead and legal costs. We expense legal costs for defending legal proceedings as incurred.

We expect our general and administrative expenses to increase in absolute dollars for the foreseeable future due to additional costs associated with accounting, compliance, insurance and investor relations as we become a public company.

We expect our general and administrative expenses to decrease as a percentage of our revenue over the long term, although our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to seasonality and the timing and extent of these expenses. Upon the closing of this offering, we are expected to incur significant stock-based compensation expense for certain options and RSUs that may vest upon this offering. See the section titled “Prospectus Summary—Summary Consolidated Financial and Other Data” for additional information.

#### ***Interest expense, net***

Interest expense, net, consists primarily of interest expense on our 2018 Credit Facility, hedging instruments, capital lease obligations, amortization of debt issuance costs and annual commitment fees on our 2018 Revolving Facility. Interest and other expense, net, decreased in 2020 primarily due to a decrease in interest rates on our 2018 Term Loan.

We expect interest expense, net, to decrease in the near term following our repayment of \$            million of our outstanding indebtedness under our 2018 Term Loan with a portion of the net proceeds of this offering.

#### ***Income taxes***

Our provision for income taxes consists of current and deferred federal, state and foreign income taxes. See the section titled “—Critical Accounting Policies and Estimates—Income Taxes.”



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In 2020, we had federal net operating loss, or NOL, carryforwards of \$11.7 million which will begin to expire in 2031. In 2020, we had state NOL carryforwards of \$49.8 million, which will begin to expire in 2022. In 2020, we had foreign NOL carryforwards of \$32.4 million which can be carried forward indefinitely and are not subject to expiration. In general, under Sections 382 and 383 of the Code, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change, by value, in its equity ownership by certain stockholders over a three-year period, the corporation’s ability to use its pre-change NOLs and other pre-change tax attributes, such as research tax credits, to offset its post-change income or taxes may be limited.

We had an ownership change in prior years, and as a result certain federal and state NOLs were limited pursuant to Section 382 of the Code. This limitation has been accounted for in calculating our available NOL carryforwards. We may experience an ownership change in the future as a result of this offering or subsequent changes in our stock ownership, some of which changes are outside our control. If we undergo another ownership change, our ability to further utilize federal NOLs could be limited by Section 382 of the Code. Furthermore, for federal NOLs arising in tax years beginning after December 31, 2020, the Tax Act limits a taxpayer’s ability to utilize federal NOL carryforwards to 80% of taxable income. In addition, NOLs arising in tax years beginning after December 31, 2017 can be carried forward indefinitely. However, carryback of such NOLs is generally prohibited, except that, under the CARES Act, federal NOLs generated in 2018, 2019 and 2020 may be carried back to each of the five taxable years preceding the taxable year in which the loss arises. For these reasons, we may not be able to utilize a material portion of any NOLs that are generated in tax years ending after December 31, 2020. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or increase our state taxes owed.

## Results of Operations

The following table sets forth our consolidated statement of operations data for each of the periods indicated. The period-to-period comparison of financial results should not be considered as a prediction or indicative of our future results.

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
	(in thousands)			
Revenue	\$ 408,380	\$ 470,636	\$ 105,795	\$ 134,632
Cost of revenue <sup>(1)(2)</sup>	136,915	154,563	35,112	43,960
Gross profit	271,465	316,073	70,683	90,672
Operating expenses:				
Sales and marketing <sup>(1)(2)</sup>	115,913	171,390	43,481	71,361
Technology and development <sup>(1)(2)</sup>	37,204	41,863	10,543	10,499
General and administrative <sup>(1)(2)</sup>	57,762	51,017	12,661	13,165
Impairment of goodwill, long-lived and other assets	14,321	1,105	555	—
Loss on sale of business	—	1,764	—	—
Total operating expenses	225,200	267,139	67,240	95,025
Income (loss) from operations	46,265	48,934	3,443	(4,353)
Interest expense, net	(38,559)	(35,504)	(9,270)	(8,654)
Other income (expense), net	2,577	3,713	(1,106)	248
Impairment of available-for-sale debt securities	—	(4,818)	—	—
Income (loss) before income taxes and income from equity method investment	10,283	12,325	(6,933)	(12,759)
Provision for (benefit from) income taxes	3,161	2,429	(2,055)	(2,936)
Income (loss) before income from equity method investment	7,122	9,896	(4,878)	(9,823)
Income from equity method investment	321	—	—	—
Net income (loss)	\$ 7,443	\$ 9,896	\$ (4,878)	\$ (9,823)

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- (1) Includes stock-based compensation expense as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
	(in thousands)			
Cost of revenue	\$ 205	\$ 177	\$ 37	\$ 59
Sales and marketing	1,020	1,122	643	207
Technology and development	1,314	2,703	950	526
General and administrative	4,170	9,719	2,697	3,150
Total stock-based compensation expense	<u>\$ 6,709</u>	<u>\$13,721</u>	<u>\$ 4,327</u>	<u>\$ 3,942</u>

Stock-based compensation expense increase in 2020 primarily relates to recent equity grants to new executive officers.

- (2) Includes depreciation and amortization expense for our property and equipment, including capitalized internal-use software and intangible assets as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
	(in thousands)			
Cost of revenue	\$ 6,773	\$ 8,324	\$ 1,958	\$ 1,678
Sales and marketing	6,469	6,913	1,849	1,475
Technology and development	1,055	2,800	650	587
General and administrative	2,093	2,060	463	426
Total depreciation and amortization expense	<u>\$ 16,390</u>	<u>\$ 20,097</u>	<u>\$ 4,920</u>	<u>\$ 4,166</u>

The following table sets forth our consolidated statement of operations data as a percentage of revenue for each of the periods indicated.

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	33.5	32.8	33.2	32.7
Gross margin	66.5	67.2	66.8	67.3
Operating expenses:				
Sales and marketing	28.4	36.4	41.1	53.0
Technology and development	9.1	8.9	10.0	7.8
General and administrative	14.2	10.9	12.1	9.8
Impairment of goodwill, long-lived and other assets	3.5	0.2	0.5	—
Loss on sale of business	—	0.4	—	—
Total operating expenses	55.2	56.8	63.7	70.6
Income (loss) from operations	11.3	10.4	3.1	(3.3)
Interest expense, net	(9.4)	(7.5)	(8.7)	(6.4)
Other income (expense), net	0.6	0.7	(0.9)	0.2
Impairment of available-for-sale debt securities	—	(1.0)	—	—
Income (loss) before income taxes and income from equity method investment	2.5	2.6	(6.5)	(9.5)
Provision for (benefit from) income taxes	0.8	0.5	(2.0)	(2.2)
Income (loss) before income from equity method investment	1.7	2.1	(4.6)	(7.3)
Income from equity method investment	0.1	—	—	—
Net income (loss)	<u>1.8%</u>	<u>2.1%</u>	<u>(4.6)%</u>	<u>(7.3)%</u>

## Comparison of the Three Months Ended March 31, 2020 and 2021

### Revenue

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
	(in thousands, except percentages)			
<b>Revenue by type</b>				
Transaction	\$ 45,586	\$ 61,388	\$15,802	34.7%
Subscription	54,235	65,493	11,258	20.8%
Partner	5,974	7,751	1,777	29.7%
Total revenue	<u>\$ 105,795</u>	<u>\$ 134,632</u>	<u>\$28,837</u>	27.3%

Total revenue for the three months ended March 31, 2021 increased \$28.8 million, or 27.3%, compared to the three months ended March 31, 2020. The increase was primarily driven by increases in transaction revenue and subscription revenue. Transaction revenue was 43.1% and 45.6% of total revenue for the three months ended March 31, 2020 and 2021, respectively, and subscription revenue was 51.3% and 48.6% of total revenue for the three months ended March 31, 2020 and 2021, respectively.

Transaction revenue for the three months ended March 31, 2021 increased \$15.8 million, or 34.7%, compared to the three months ended March 31, 2020, driven by a 31.4% increase in the number of transactions and a 6.2% improvement in average order value.

Subscription revenue for the three months ended March 31, 2021 increased \$11.3 million, or 20.8%, compared to the three months ended March 31, 2020. The increase was primarily due to a 22.4% increase in the number of subscription units. The increase in subscription units was driven in part by strong growth in the number of transactions in the second half of 2020. Strong performance from our registered agent subscription services drove the largest contribution of growth to the number of subscription units.

Partner revenue for the three months ended March 31, 2021 increased \$1.8 million, or 29.7%, compared to the three months ended March 31, 2020. The increase was primarily due to higher transaction volumes.

### Cost of revenue

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
	(in thousands, except percentages)			
Cost of revenue	\$35,112	\$43,960	\$ 8,848	25.2%

Cost of revenue for the three months ended March 31, 2021 increased \$8.8 million, or 25.2%, compared to the three months ended March 31, 2020. The increase was primarily due to higher filing fees and costs associated with customer care as a result of the increase in transaction volume.

### Gross margin

	Three Months Ended March 31,	
	2020	2021
Gross margin	66.8%	67.3%

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Gross margin for the three months ended March 31, 2021 increased 0.5% to 67.3%. The increase was primarily due to the April 2020 sale of our subsidiary, Beaumont, which negatively impacted gross margin for the three months ended March 31, 2020.

### *Sales and marketing*

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
Sales and marketing	\$43,481	\$71,361	\$27,880	64.1%

Sales and marketing expenses for the three months ended March 31, 2021 increased \$27.9 million, or 64.1%, compared to the three months ended March 31, 2020. The increase was primarily due to an increase in customer acquisition marketing spend of \$23.6 million and media production spend of \$3.0 million. Customer acquisition marketing spend was \$30.1 million and \$53.7 million for the three months ended March 31, 2020 and March 31, 2021, respectively, as we invested to expand our customer base and build our digital brand leadership and awareness.

### *Technology and development*

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
Technology and development	\$10,543	\$10,499	\$ (44)	(0.4)%

Technology and development expenses for the three months ended March 31, 2021 remained consistent compared to the three months ended March 31, 2020.

### *General and administrative*

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
General and administrative	\$12,661	\$13,165	\$ 504	4.0%

General and administrative expenses for the three months ended March 31, 2021 increased \$0.5 million, or 4.0%, compared to the three months ended March 31, 2020. The increase was primarily due to higher professional services costs for recruiting and legal fees offset by lower travel and entertainment spend due to the impact of COVID-19 beginning March 2020.

### *Impairment of long-lived and other assets*

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
Impairment of long-lived and other assets	\$ 555	\$ —	\$ (555)	(100)%

In March 2020, prior to the disposition of Beaumont, we recorded an impairment charge of \$0.6 million related to its property and equipment.

### Interest expense, net

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
	(in thousands, except percentages)			
Interest expense, net	\$(9,270)	\$(8,654)	\$ 616	(6.6)%

Interest expense, net, for the three months ended March 31, 2021 decreased \$0.6 million, or 6.6%, compared to the three months ended March 31, 2020. The decrease was primarily a result of a decrease in LIBOR on our 2018 Term Loan partially offset by costs related to our interest rate swaps and amortization of debt issuance costs.

### Other (expense) income, net

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
	(in thousands, except percentages)			
Other (expense) income, net	\$(1,106)	\$248	\$ 1,354	122.4%

Other (expense) income, net for the three months ended March 31, 2021 increased \$1.4 million, or 122.4%, compared to the three months ended March 31, 2020. The increase was primarily due to changes in foreign currency movements related to our intercompany loans which are denominated in GBP.

### Benefit from income taxes

	Three Months Ended March 31,		\$ change	% change
	2020	2021		
	(in thousands, except percentages)			
Benefit from income taxes	\$(2,055)	\$(2,936)	\$ 881	42.9%
Effective tax rate	30%	23%		

The benefit from income taxes increased by \$0.9 million primarily due to the tax impact from the decrease in U.S income compared to the three months ended March 31, 2020.

### Comparison of the Years Ended December 31, 2019 and 2020

#### Revenue

	Year Ended December 31,		\$ change	% change
	2019	2020		
	(in thousands, except percentages)			
<b>Revenue by type</b>				
Transaction	\$ 168,305	\$ 212,114	\$43,809	26.0%
Subscription	206,447	229,840	23,393	11.3
Partner	33,628	28,682	(4,946)	(14.7)
<b>Total revenue</b>	<b>\$ 408,380</b>	<b>\$ 470,636</b>	<b>\$62,256</b>	<b>15.2%</b>

Total revenue increased \$62.3 million, or 15.2%, to \$470.6 million in 2020. The increase was primarily driven by increases in transaction revenue and subscription revenue. Transaction revenue was 41.2% and 45.1% of total revenue in 2019 and 2020, respectively, and subscription revenue was 50.6% and 48.8% of total revenue in 2019 and 2020, respectively.

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Transaction revenue increased \$43.8 million, or 26.0%, to \$212.1 million in 2020 driven by a 29.1% increase in the number of transactions.

Subscription revenue increased \$23.4 million, or 11.3%, to \$229.8 million in 2020. The increase was primarily driven by a 17.8% increase in the number of subscription units coupled with a 0.9% increase in ARPU. Strong performance from our registered agent subscription services drove the largest contribution of growth to both the number of subscription units and ARPU.

Partner revenue decreased \$4.9 million, or 14.7%, to \$28.7 million in 2020. The decrease was primarily due to cessation of certain partnership arrangements that were not aligned with our go-forward strategy.

#### Cost of revenue

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
Cost of revenue	\$ 136,915	\$ 154,563	\$17,648	12.9%

Cost of revenue increased \$17.6 million, or 12.9%, to \$154.6 million in 2020. The increase was primarily due to higher filing fees and costs associated with customer care as a result of the increase in transaction volume.

#### Gross margin

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
Gross margin	66.5%	67.2%

Gross margin increased 0.7% in 2020 to 67.2%. The increase was primarily due to the April 2020 sale of our subsidiary, Beaumont, which had lower gross margins.

#### Sales and marketing

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
Sales and marketing	\$ 115,913	\$ 171,390	\$55,477	47.9%

Sales and marketing expenses increased \$55.5 million, or 47.9%, to \$171.4 million in 2020. The increase was primarily due to our strategy to increase customer acquisition marketing costs by \$52.0 million, predominantly in the search engine marketing channel, as we invested to expand our customer base and build on our digital brand leadership and awareness. We increased our customer acquisition marketing costs beginning in the second quarter of 2020 in anticipation of growing demand. Customer acquisition marketing spend was \$67.2 million and \$119.2 million for 2019 and 2020, respectively.

#### Technology and development

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
Technology and development	\$ 37,204	\$ 41,863	\$ 4,659	12.5%

Technology and development expenses increased \$4.7 million, or 12.5%, to \$41.9 million in 2020. The increase was primarily due to lower capitalization of personnel costs for internal-use software development.

**General and administrative**

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
General and administrative	\$ 57,762	\$ 51,017	\$(6,745)	(11.7)%

General and administrative expenses decreased \$6.7 million, or 11.7%, to \$51.0 million in 2020. The decrease was primarily due to lower business strategy consulting and outside legal expenses coupled with lower travel and entertainment spend due to the impact of COVID-19 in 2020.

**Impairment of goodwill, long-lived and other assets**

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
Impairment of goodwill, long-lived and other assets	\$ 14,321	\$ 1,105	\$(13,216)	(92.3)%

In 2019, we recorded a goodwill impairment charge of \$10.6 million related to our U.K. reporting unit. In 2019 and 2020, we impaired \$3.7 million and \$1.1 million, respectively, related to internal-use software projects that were no longer considered part of our strategic business plans.

**Loss on sale of business**

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
Loss on sale of business	\$ —	\$ 1,764	\$ 1,764	100.0%

In 2020, we sold our subsidiary, Beaumont and we incurred a loss of \$1.8 million upon disposal.

**Interest expense, net**

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
Interest expense, net	\$ 38,559	\$ 35,504	\$(3,055)	(7.9)%

Interest expense, net, decreased by \$3.1 million to \$35.5 million in 2020. The decrease was primarily a result of a decrease in the London Interbank Offered Rate, or LIBOR, on our 2018 Term Loan partially offset by costs related to our interest rate swaps and amortization of debt issuance costs.

**Other income, net**

	<u>Year Ended December 31,</u>		<u>\$ change</u>	<u>% change</u>
	<u>2019</u>	<u>2020</u>		
	(in thousands, except percentages)			
Other income, net	\$ 2,577	\$ 3,713	\$ 1,136	44.1%

The change in other income, net between 2019 and 2020 was primarily due to a gain from the change in the fair value of our financial guarantee of \$1.8 million, partially offset by changes in foreign currency movements related to our intercompany loans which are denominated in British Pound Sterling, or GBP.

**Impairment of available-for-sale debt securities**

	Year Ended December 31,		\$ change	% change
	2019	2020		
	(in thousands, except percentages)			
Impairment of available-for-sale debt securities	\$ —	\$ 4,818	\$ 4,818	100.0%

In 2020, we fully impaired our investment in Firma.de Firmenbaukasten AG, a German limited liability company, and we incurred a loss of \$4.8 million because the present value of cash flows expected to be collected is less than the amortized cost basis of the investment.

**Provision for income taxes**

	Year Ended December 31,		\$ change	% change
	2019	2020		
	(in thousands, except percentages)			
Provision for income taxes	\$ 3,161	\$ 2,429	\$ (732)	(23.2)%

Provision for income taxes decreased \$0.7 million, or 23.2%, to \$2.4 million in 2020. The decrease was primarily due to increased benefits from the exercise of non-qualified stock options in 2020 over 2019, increased interest deductions under Section 163(j) due to the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, and reduced nondeductible expenses in 2020 over 2019.

**Non-GAAP Financial Measures**

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles, or GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to important measures used by our management for financial and operational decision-making. We are presenting these non-GAAP measures to assist investors in seeing our financial performance using a management view and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

**Adjusted EBITDA and Adjusted EBITDA Margin**

We define Adjusted EBITDA as net income (loss) adjusted to exclude interest expense, net, provision for income taxes, depreciation and amortization, other income, net, stock-based compensation, losses from impairments of goodwill, long-lived and other assets, impairments of available-for-sale debt securities, acquisition related expenses, restructuring expenses, legal reserves and settlements, and certain other non-recurring expenses. Our Adjusted EBITDA financial measure differs from GAAP in that it excludes certain items of income and expense. We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of revenue. We define net income (loss) margin as net income (loss) as a percentage of revenue.

Adjusted EBITDA is one of the primary performance measures used by our management and our board of directors to understand and evaluate our financial performance and operating trends, including period-to-period comparisons, prepare and approve our annual budget, develop short- and long-term operational plans and determine appropriate compensation plans for our employees. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team and board of directors. In assessing our performance, we exclude certain expenses that we



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believe are not comparable period over period. Adjusted EBITDA should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net income, which is the nearest GAAP equivalent of Adjusted EBITDA, and it may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure. Some of these limitations include that the non-GAAP financial measure:

- does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, which reduces cash available to us;
- does not reflect provision for income taxes that may result in payments that reduce cash available to us;
- excludes depreciation and amortization and, although these are non-cash expenses, the assets being depreciated may be replaced in the future;
- does not reflect foreign currency exchange or other gains or losses, which are included in other income, net;
- excludes stock-based compensation expense, which has been, and will continue to be, a significant recurring expense for our business and an important part of our compensation strategy;
- excludes losses from impairments of goodwill, long-lived and other assets and available-for-sale debt securities;
- excludes acquisition related expenses, which reduce cash available to us;
- excludes restructuring expenses, which reduce cash available to us; and
- does not reflect certain other non-recurring expenses that are not considered representative of our underlying performance, which reduce cash available to us.

The following table presents a reconciliation of net income (loss), the most directly comparable GAAP measure, to Adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
	(in thousands)		(in thousands)	
<b>Reconciliation of Net Income (loss) to Adjusted EBITDA</b>				
Net income (loss)	\$ 7,443	\$ 9,896	\$ (4,878)	\$ (9,823)
Interest expense, net	38,559	35,504	9,270	8,654
Provision for (benefit from) income taxes	3,161	2,429	(2,055)	(2,936)
Depreciation and amortization	16,390	20,097	4,920	4,166
Other (income) expense, net	(2,577)	(3,713)	1,106	(248)
Stock-based compensation <sup>(1)</sup>	5,181	12,894	4,088	3,786
Impairment of goodwill, long-lived and other assets	14,321	1,105	555	—
Impairment of available-for-sale debt securities	—	4,818	—	—
Acquisition related expenses	5,433	132	—	—
Restructuring expenses <sup>(2)</sup>	1,600	2,524	348	—
Legal reserves and settlements <sup>(3)</sup>	735	525	—	—
Certain other non-recurring expenses <sup>(4)</sup>	6,911	1,764	—	—
Adjusted EBITDA	<u>\$ 97,157</u>	<u>\$ 87,975</u>	<u>\$ 13,354</u>	<u>\$ 3,599</u>
Net income (loss) margin	1.8%	2.1%	(4.6)%	(7.3)%
Adjusted EBITDA margin	<u>23.8%</u>	<u>18.7%</u>	<u>12.6%</u>	<u>2.7%</u>

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program as further described in Note 15 to our consolidated financial statements included elsewhere in this prospectus.

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- (2) Restructuring expenses relate to certain one-time severance events for different components of our business, which was part of our overall reset of business strategy during 2019 and 2020. See Note 17 to our consolidated financial statements included elsewhere in this prospectus.
- (3) Legal reserves and settlements include costs accrued or paid for potential litigation settlements, and are net of insurance recoveries, if any.
- (4) In 2019, we incurred certain expenses for strategic transactions that were not consummated, including \$4.6 million of costs associated with our filing of a registration statement, \$1.9 million of compensation expense recorded in general and administrative expenses related to the establishment of a financial guarantee for a former executive officer, and \$0.4 million for other transaction related expenses. In 2020, we incurred a loss on sale from the disposal of Beaumont, our conveyancing business in the United Kingdom, of \$1.8 million.

Adjusted EBITDA decreased from \$97.2 million in 2019 to \$88.0 million in 2020. The decrease of \$9.2 million primarily reflects an investment in customer acquisition media spend, which increased by \$52.0 million in 2020 as we invested to expand our customer base and build on our digital brand leadership and awareness, as well as an increase in cost of revenue of \$17.7 million driven by increases in customer care and fulfillment costs, partially offset by an increase in revenue of \$62.2 million. Adjusted EBITDA decreased \$9.8 million from \$13.4 million for the three months ended March 31, 2020 to \$3.6 million for the three months ended March 31, 2021. The decrease primarily reflects an investment in customer acquisition media spend, which increased by \$23.6 million, filing fee expense which increased by \$6.2 million in cost of revenue, media production spend which increased by \$3.0 million and salaries and benefits which increased by \$3.6 million from our investment in headcount, which was partially offset by a \$28.8 million increase in revenue. We expect our Adjusted EBITDA to increase in absolute dollars in the longer term, although the rate at which our Adjusted EBITDA may grow could vary based upon the interplay of the foregoing factors.

### Free cash flow

Free cash flow is a liquidity measure used by management in evaluating the cash generated by our operations after purchases of property and equipment including capitalized internal-use software. We consider free cash flow to be an important metric because it provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic opportunities, including investing in our business and strengthening our balance sheet. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth. The usefulness of free cash flow as an analytical tool has limitations because it excludes certain items, which are settled in cash, does not represent residual cash flow available for discretionary expenses, does not reflect our future contractual commitments, and may be calculated differently by other companies in our industry. Accordingly, it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities.

The following table presents a reconciliation of net cash provided by operating activities, the most directly comparable GAAP measure, to free cash flow:

	Year		Three Months	
	Ended December 31,	2020	Ended March 31,	2021
	2019	2020	2020	2021
(in thousands)				
<b>Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow</b>				
Net cash provided by operating activities	\$ 52,695	\$ 93,049	\$21,889	\$31,415
Purchase of property and equipment	(18,349)	(10,587)	(1,988)	(2,911)
Free cash flow	<u>\$ 34,346</u>	<u>\$ 82,462</u>	<u>\$19,901</u>	<u>\$28,504</u>

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We experienced an increase in our free cash flow from 2019 to 2020 as a result of an increase in net cash provided by operating activities, which was primarily due to an increase of \$17.6 million in deferred revenue driven by an increase in subscription units as well as a \$8.5 million increase in accounts payable due to the timing of our payments. We experienced an increase in our free cash flow for the three months ended March 31, 2020 as compared to the three months ended March 31, 2021 as a result of an increase of \$8.8 million in deferred revenue primarily as a result of the growth of our subscription units, which are predominantly billed in advance of our revenue recognition, a \$6.6 million increase in accrued expenses and other current liabilities and \$2.7 million in accounts payable, due to the timing of our payments. Additionally, in the year ended 2020 as compared to 2019, we recorded a decrease in purchase of property and equipment related to less capitalization of internal-use software projects. In the three months ended March 31, 2021, we recorded an increase in purchase of property and equipment related to additional capitalization of internal-use software projects, associated with scaling our operations, technology and infrastructure to support our growth. We expect our free cash flow to increase in absolute dollars in the near term, although the rate at which our free cash flow may grow could vary based upon the interplay of the factors discussed above.

For 2019, 2020 and the three months ended March 31, 2020 and 2021, our free cash flow included cash payments for interest related to our 2018 Credit Facility of \$37.3 million, \$27.9 million, \$8.3 million and \$6.1 million, respectively.

### **Quarterly Results of Operations**

The following table sets forth our unaudited quarterly consolidated results of operations by quarter from the first quarter of 2019 to the first quarter of 2021. The unaudited quarterly consolidated results of operations set forth below have been prepared on the same basis as our audited consolidated financial statements and in our opinion contain all adjustments, consisting only of normal and recurring adjustments, necessary for the fair statement of this financial information. The following information should be read in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the accompanying notes thereto included elsewhere in this prospectus. The results of historical periods are not necessarily indicative of the results for any future period, and the results for any quarter are not necessarily indicative of results to be expected for a full year or any other period.

Quarterly Consolidated Statement of Operations Data

	Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
	(In thousands)								
Revenue (1)	\$ 102,177	\$ 103,506	\$ 103,977	\$ 98,720	\$ 105,795	\$ 111,007	\$ 131,595	\$ 122,239	\$ 134,632
Cost of revenue	35,947	35,999	34,144	30,825	35,112	35,759	43,841	39,851	43,960
Gross margin	66,230	67,507	69,833	67,895	70,683	75,248	87,754	82,388	90,672
Operating expenses:									
Sales and marketing	34,328	26,765	27,414	27,406	43,481	40,173	46,833	40,903	71,361
Technology and development	8,230	8,728	9,420	10,826	10,543	10,165	10,911	10,244	10,499
General and administrative	12,015	13,252	17,044	15,451	12,661	12,612	10,424	15,320	13,165
Impairment of goodwill, long-lived and other assets	—	—	—	14,321	555	—	—	550	—
Loss on sale of business	—	—	—	—	—	1,764	—	—	—
Total operating expenses	54,573	48,745	53,878	68,004	67,240	64,714	68,168	67,017	95,025
Income (loss) from operations	11,657	18,762	15,955	(109)	3,443	10,534	19,586	15,371	(4,353)
Interest expense, net	(9,826)	(9,838)	(9,665)	(9,230)	(9,270)	(8,857)	(8,658)	(8,719)	(8,654)
Other income (expense), net	1,037	(1,000)	(1,079)	3,619	(1,106)	(355)	1,610	3,564	248
Impairment of available-for-sale debt securities	—	—	—	—	—	(4,818)	—	—	—
Income (loss) before income taxes and income from equity method investment	2,868	7,924	5,211	(5,720)	(6,933)	(3,496)	12,538	10,216	(12,759)
Provision for (benefit from) income taxes	1,107	2,492	1,932	(2,370)	(2,055)	563	3,126	795	(2,936)
Income (loss) before income on equity method investment	1,761	5,432	3,279	(3,350)	(4,878)	(4,059)	9,412	9,421	(9,823)
Income from equity method investment	—	—	—	321	—	—	—	—	—
Net income (loss)	\$ 1,761	\$ 5,432	\$ 3,279	\$ (3,029)	\$ (4,878)	\$ (4,059)	\$ 9,412	\$ 9,421	\$ (9,823)

(1) Includes revenue by type as follows:

	Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
	(In thousands)								
Transaction	\$ 45,772	\$ 45,350	\$ 41,376	\$ 35,807	\$ 45,586	\$ 50,429	\$ 63,850	\$ 52,249	\$ 61,388
Subscription	47,419	50,175	53,879	54,974	54,235	53,832	59,348	62,425	65,493
Partner	8,986	7,981	8,722	7,939	5,974	6,746	8,397	7,565	7,751
Total revenue	\$ 102,177	\$ 103,506	\$ 103,977	\$ 98,720	\$ 105,795	\$ 111,007	\$ 131,595	\$ 122,239	\$ 134,632

*Quarterly Revenue, Cost and Operating Expense Trends*

We have experienced, and expect that we will continue to experience, seasonality in the number of orders placed and when we enter into subscription agreements with customers. Customers tend to place a higher number of orders and enter into new or renewed subscriptions in the first quarter of the year, which is when we believe the demand for forming businesses is the highest. Further seasonality is reflected in the timing of our revenue recognition in the second quarter, when we typically recognize a high amount of revenue from transactions placed in the first quarter but fulfilled in the second quarter. Also, historically we generally see demand for our services decline in the last two months of the fourth quarter as a result of the winter holidays. For example, in 2019, we saw our highest number of transaction orders in the first quarter. Although the number of transactions declined in the second quarter as compared to the first quarter of 2019, our revenue increased as we fulfilled a number of transaction orders placed in the first quarter. In addition, starting in the second quarter of 2020, we saw tailwinds driven by the COVID-19 pandemic as individuals and small businesses turned to online services given the relative inaccessibility of offline alternatives.

Generally, these seasonal trends also apply to our cost of revenue, which includes all costs of fulfilling our services, such as government filing fees and costs associated with customer care that scale with order volumes.

Our operating expenses consist primarily of sales and marketing, technology and development, general and administrative expenses, and to a lesser extent, impairments of goodwill, long-lived assets and other assets, in addition to a loss on sale of a business in April 2020. Customer acquisition media spend has historically been highest in the first quarter of the year when customer demand is strongest, while other operating expenses such as technology and development and general and administrative expenses typically exhibit less seasonal fluctuation. We expect our sales and marketing expenses will continue to increase in absolute dollars and be our largest operating expense category for the foreseeable future as we invest to drive additional revenue, further penetrate our expanding addressable market and build on our digital brand leadership and awareness. We also expect technology and development expenses to increase in absolute dollars going forward as we invest in new products and services, enhancing our customer experience, and production automation technologies. Additionally, we expect our general and administrative expenses to increase as we expand our headcount to support our growth and meet our obligations as a public company following the completion of this offering. In addition, during the second and third quarters of 2020, we saw the impact of the COVID-19 pandemic impact these trends, which cannot be quantified and may not continue in future periods.

*Non-GAAP Financial Measures*

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA, the most directly comparable financial measure calculated in accordance with GAAP. For more information as to the limitations of using non-GAAP measurements, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures”.

**Reconciliation of Net Income (Loss) to Adjusted EBITDA**

	Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
	(In thousands)								
Net income (loss)	\$ 1,761	\$ 5,432	\$ 3,279	\$ (3,029)	\$ (4,878)	\$ (4,059)	\$ 9,412	\$ 9,421	\$ (9,823)
Interest expense, net	9,826	9,838	9,665	9,230	9,270	8,857	8,658	8,719	8,654
Provision for (benefit from)									
income taxes	1,107	2,492	1,932	(2,370)	(2,055)	563	3,126	795	(2,936)
Depreciation and amortization	4,397	4,072	4,226	3,695	4,920	4,827	4,415	5,935	4,166
Other (income) expense, net	(1,037)	1,000	1,079	(3,619)	1,106	355	(1,610)	(3,564)	(248)
Stock-based compensation(1)	1,185	1,309	1,144	1,543	4,088	3,090	2,712	3,004	3,786
Impairment of goodwill, long-lived and other assets	—	—	—	14,321	555	—	—	550	—
Impairment of available-for-sale debt securities	—	—	—	—	—	4,818	—	—	—
Acquisition related expenses	5	2,244	2,695	489	—	—	38	94	—
Restructuring expenses(2)	363	258	137	842	348	64	155	1,957	—
Legal reserves and settlements(3)	—	—	—	735	—	—	525	—	—
Certain other non-recurring expenses(4)	306	847	3,806	1,952	—	1,764	—	—	—
Adjusted EBITDA	<u>17,913</u>	<u>27,492</u>	<u>27,963</u>	<u>23,789</u>	<u>13,354</u>	<u>20,279</u>	<u>27,431</u>	<u>26,911</u>	<u>3,599</u>
Net income (loss) margin	1.7%	5.2%	3.2%	(3.1)%	(4.6)%	(3.7)%	7.2%	7.7%	(7.3)%
Adjusted EBITDA margin	<u>17.5%</u>	<u>26.6%</u>	<u>26.9%</u>	<u>24.1%</u>	<u>12.6%</u>	<u>18.3%</u>	<u>20.8%</u>	<u>22.0%</u>	<u>2.7%</u>

- (1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program as further described in Note 15 to our consolidated financial statements included elsewhere in this prospectus.
- (2) Restructuring expenses relate to certain one-time severance events for different components of our business, which were part of our overall reset of business strategy during 2019 and 2020. Such expenses are not expected to recur in the near or longer term. Due to continued decline in the business performance of Beaumont, our conveyancing business in the United Kingdom, we conducted a phased restructuring during 2019. In the fourth quarter of 2019, we restructured our United Kingdom Research and Development team, as part of the reset of our product strategy. In the first half of 2020, we restructured our United Kingdom business, mainly in our leadership and technology team. In the fourth quarter of 2020, we incurred \$2.0 million in severance costs related to a reduction in headcount in our U.S. workforce.
- (3) Legal reserves and settlements include costs accrued or paid for potential litigation settlements, and are net of insurance recoveries, if any.
- (4) In 2019, we incurred certain expenses for strategic transactions that were not consummated, including \$4.6 million of costs associated with our filing of a registration statement during the first and second quarters of 2019 and which was later withdrawn in the third quarter of 2019, \$1.9 million of compensation expense recorded in general and administrative expenses related to the establishment of a financial guarantee for a former executive officer in the fourth quarter of 2019, and \$0.4 million for other transaction related expenses. In the second quarter of 2020, we incurred a loss on sale from the disposal of Beaumont, our conveyancing business in the United Kingdom, of \$1.8 million.

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The following table presents a reconciliation of net cash provided by operating activities, the most directly comparable GAAP measure, to free cash flow:

### *Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow*

	Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
	<i>(In thousands)</i>								
Net cash provided by operating activities	\$ 23,102	\$ 4,885	\$ 14,410	\$ 10,298	\$ 21,889	\$ 27,431	\$ 32,749	\$ 10,980	\$ 31,415
Purchase of property and equipment	(5,442)	(4,784)	(4,281)	(3,842)	(1,988)	(2,503)	(3,328)	(2,768)	(2,911)
Total free cash flow	<u>\$ 17,660</u>	<u>\$ 101</u>	<u>\$ 10,129</u>	<u>\$ 6,456</u>	<u>\$ 19,901</u>	<u>\$ 24,928</u>	<u>\$ 29,421</u>	<u>\$ 8,212</u>	<u>\$ 28,504</u>

### **Liquidity and Capital Resources**

At March 31, 2021, our principal sources of liquidity were cash and cash equivalents of \$141.2 million, which consisted of cash on deposit with banks and money market funds, of which \$1.9 million related to our foreign subsidiaries. Our cash and cash equivalents are expected to increase \$25.0 million upon the lapse of our restricted cash equivalent upon the repayment of a personal loan by a former executive prior to the completion of this offering. See the section titled “Certain Relationships and Related Persons Transactions—John Suh Line of Credit.” Since inception, we have funded our operations and capital expenditures primarily from private sales of equity securities, cash flows provided by operating activities and debt financing arrangements.

We expect to make capital expenditures of approximately \$22.0 million in 2021, the majority of which would be for capitalized software expenditures and the remainder of which would be for other capital expenditures associated with scaling our operations, technology and infrastructure to support our growth. We currently anticipate that our available cash and cash equivalents and cash provided by operating activities will be sufficient to meet our operational cash needs for at least the next twelve months. We may supplement our liquidity needs with borrowings under our \$40.0 million 2018 Revolving Facility available under our 2018 Credit Facility. Our future capital requirements may vary from those now planned and will depend on many factors, including:

- the development, launch and success of new services;
- the levels of marketing required to attract new customers and retain existing customers;
- the continuous development of our platform to accommodate actual and anticipated technology changes;
- the expansion of our business in the United States through additional merger and acquisition activity; and
- the timing and extent to which we scale our operations, technology and infrastructure to support future growth.

We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our results of operations.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and, accordingly no taxes have been provided on such earnings. We continue to evaluate our plans for reinvestment or repatriation of unremitted foreign earnings and have not changed our previous indefinite reinvestment determination following the enactment of the Tax Act. We have not repatriated funds to the United States to satisfy domestic liquidity needs, nor do we anticipate the need to do so. If we determine that all or a portion of our foreign earnings are no longer indefinitely reinvested, we may be subject to foreign withholding taxes and U.S. state income taxes.

### ***Borrowings***

In 2018, we entered into the 2018 Credit Facility, with JPMorgan Chase Bank, N.A., as Administrative Agent and lender, and the other lenders party thereto, which provided \$575.0 million of loans, consisting of the \$535.0 million 2018 Term Loan maturing on November 21, 2024, and an available \$40.0 million 2018 Revolving Facility maturing on November 23, 2023. The 2018 Revolving Facility includes a subfacility that provides for the issuance of letters of credit in an amount of up to \$8.0 million at any time outstanding.

The 2018 Credit Facility is subject to customary fees for loan facilities of this type, including a commitment fee on the 2018 Revolving Facility that decreases if our total net first lien leverage ratio falls beneath certain levels.

The interest rate applicable to the 2018 Term Loan under the 2018 Credit Facility is, at our option, either (a) the LIBOR (or a comparable successor rate approved by the administrative agent and us) plus a margin of 4.50% per annum or (b) the base rate plus a margin of 3.50% per annum. The interest rate applicable to loans under our 2018 Revolving Facility is, at our option, either (a) LIBOR (or a comparable successor rate approved by the administrative agent and us) plus a margin of 4.00% per annum or (b) the base rate plus a margin of 3.00% per annum. Each such margin may decrease depending on our total net first lien leverage ratio. The base rate is the highest of (a) the federal funds rate plus 1/2 of 1.00%, (b) the prime rate as publicly announced by JPMorgan Chase, (c) LIBOR plus 1.00% and (d) 2.00%.

Since 2019, we have been repaying the 2018 Term Loan in quarterly installments of 0.25% of the initial principal, or \$1.3 million, with the remaining outstanding principal due on maturity in November 2024. Accrued interest must be paid at the end of each LIBOR period we elect or, if we choose the base rate option, together with each quarterly amortization payment. Upon the occurrence of certain asset sales and certain debt issuances, we are required to repay the 2018 Term Loan with the proceeds from such sales and issuances. The 2018 Term Loan must also be repaid from a portion of our excess cash flow ranging from 0.0% to 50.0%, depending on our net first lien leverage ratio. In 2019 and 2020 we had no excess cash flow under our 2018 Term Loan. The 2018 Revolving Facility terminates and borrowings thereunder, if any, are due in full in November 2023.

Debt under the 2018 Credit Facility is guaranteed by certain of our material wholly owned domestic restricted subsidiaries and is secured by substantially all of our and such subsidiaries' assets, with the exception of \$25.0 million of our cash, which is currently restricted by a financial guarantee we have provided to a former executive officer. Pursuant to the 2018 Credit Facility, there is a 1.00% prepayment premium on any prepayments made in connection with certain transactions deemed to be repricing events under the 2018 Credit Facility. This offering is not a repricing event under the 2018 Credit Facility. The 2018 Credit Facility contains affirmative and negative covenants, indemnification provisions and events of default. Affirmative covenants include administrative, reporting and legal covenants, in each case subject to certain exceptions. The negative covenants restrict our ability, subject to customary exceptions, to, among other things: make restricted payments including dividends and distributions on, redemptions of, repurchases or retirement of our capital stock; restrict certain of our subsidiaries' ability to engage in certain intercompany transactions with other subsidiaries that do not guarantee obligations under the 2018 Credit Facility; restrict our ability to incur additional indebtedness and issue certain types of equity; sell assets, including capital stock of subsidiaries; enter into certain transactions with affiliates; incur liens; enter into fundamental changes including mergers and consolidations; make



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investments, acquisitions, loans or advances; create negative pledges or restrictions on the payment of dividends or payment of other amounts owed from subsidiaries; make prepayments or modify documents governing material debt that is subordinated with respect to right of payment; engage in certain sale leaseback transactions; change our fiscal year; and change our lines of business. The 2018 Credit Facility also contains a financial covenant with respect to the 2018 Revolving Facility that requires us to maintain a maximum total net first lien leverage ratio of 7.90:1.00 on the last day of any fiscal quarter during which our 2018 Revolving Facility usage exceeds 35.0% of the 2018 Revolving Facility capacity. The total net first lien leverage ratio is calculated as the ratio of first lien secured debt less cash and cash equivalents to consolidated Cash EBITDA, which is defined in the 2018 Credit Facility. We were in compliance with our covenants in the 2018 Credit Facility as of March 31, 2021. The 2018 Credit Facility also includes customary events of default, including failure to pay principal, interest or certain other amounts when due, material inaccuracy of representations and warranties, violation of covenants, specified cross-default and cross-acceleration to other material indebtedness, certain bankruptcy and insolvency events, certain events relating to the *Employee Retirement Income Security Act of 1974*, certain undischarged judgments, material invalidity of guarantees or grant of security interest, and change of control, in certain cases subject to certain thresholds and grace periods. If an event of default occurs and is continuing, lenders holding a majority of the commitments and outstanding 2018 Term Loan under the 2018 Credit Facility have the right to, among other things, (i) terminate the commitments under the 2018 Credit Facility, (ii) accelerate and require us to repay all the outstanding amounts owed under the 2018 Credit Facility and (iii) require us to cash collateralize any outstanding letters of credit. In addition, if we fail to sell at least 15% of our issued and outstanding common stock in connection with this offering, and certain of our stockholders do not maintain voting control over the election of directors, we could be deemed to have undergone a change of control, which would constitute an event of default under the 2018 Credit Facility. At March 31, 2021, we had approximately \$523.0 million of outstanding indebtedness that we would have to repay immediately if this provision were triggered.

At December 31, 2020 and March 31, 2021, we had no amounts drawn on the 2018 Revolving Facility.

At December 31, 2020 and March 31, 2021, we had \$524.3 million and \$523.0 million, respectively, of principal outstanding under the 2018 Term Loan.

### **Cash flows**

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	2020	2020	2021
	(in thousands)		(in thousands)	
Net cash provided by operating activities	\$ 52,695	\$ 93,049	\$21,889	\$31,415
Net cash used in investing activities	(20,717)	(12,727)	(1,988)	(2,911)
Net cash (used in) provided by financing activities	(12,852)	(15,089)	36,589	(1,834)
Effect of exchange rates on cash, cash equivalents and restricted cash equivalent	(495)	57	(185)	35
Net increase in cash, cash equivalents and restricted cash equivalent	<u>18,631</u>	<u>65,290</u>	<u>\$56,305</u>	<u>\$26,705</u>

### **Net cash provided by operating activities**

Our largest source of operating cash is cash collections from our customers for our transaction and subscription services. Our primary uses of cash in operating activities are for our fulfillment, production and customer care costs, employee salaries and benefits, sales and marketing expenses and third-party consulting expenses. Net cash provided by operating activities is impacted by our net income adjusted for certain non-cash

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items, including depreciation and amortization expense, stock-based compensation and impairments of long-lived assets, as well as the effect of changes in operating assets and liabilities.

In 2020, cash provided by operating activities was \$93.0 million resulting from net income of \$9.9 million, adjusted for non-cash expenses of \$44.8 million and net cash flow provided by changes in operating assets and liabilities of \$38.4 million. The \$38.4 million of net cash flows provided from changes in our operating assets and liabilities included a \$23.2 million increase in deferred revenue primarily as a result of the growth of our subscription units, which are predominantly billed in advance of our revenue recognition, and a \$12.4 million increase in accounts payable due to the timing of our payments.

In 2019, cash provided by operating activities was \$52.7 million resulting from net income of \$7.4 million, adjusted for non-cash expenses of \$39.9 million and net cash flow provided by changes in operating assets and liabilities of \$5.4 million. The \$5.4 million of net cash flows provided from changes in our operating assets and liabilities included a \$5.6 million increase in deferred revenue primarily as a result of the growth of our subscription units, and a \$3.9 million increase in accounts payable, partially offset by a \$1.6 million decrease in accrued expenses and other liabilities due to the timing of our payments.

For the three months ended March 31, 2021, cash provided by operating activities was \$31.4 million resulting from a net loss of \$9.8 million, adjusted for non-cash expenses of \$6.5 million and net cash flow provided by changes in operating assets and liabilities of \$34.7 million. The \$34.7 million of net cash flows provided from changes in our operating assets and liabilities included a \$18.4 million increase in deferred revenue primarily as a result of the growth of our subscription units, which are predominantly billed in advance of our revenue recognition, and a \$14.1 million increase in accrued expenses and other current liabilities and \$6.0 million in accounts payable, due to the timing of our payments.

For the three months ended March 31, 2020, cash provided by operating activities was \$21.9 million resulting from a net loss of \$4.9 million, adjusted for non-cash expenses of \$9.2 million and net cash flow provided by changes in operating assets and liabilities of \$17.6 million. The \$17.6 million of net cash flows provided from changes in our operating assets and liabilities included a \$9.6 million increase in deferred revenue primarily as a result of the growth of our subscription units, which are predominantly billed in advance of our revenue recognition, and a \$7.5 million increase in accrued expenses and other current liabilities due to the timing of our payments.

### ***Net cash used in investing activities***

Our primary investing activities have consisted of capital expenditures to purchase property and equipment necessary to support our customer contact center, network and operations, the capitalization of internal-use software necessary to develop and maintain our platform and deliver new products and features, which provide value to our customers, business acquisitions and investments in other companies. As our business grows, we expect our capital expenditures to continue to increase.

In 2020, net cash used in investing activities was \$12.7 million resulting primarily from \$10.6 million in purchases of property and equipment, including capitalized internal-use software.

In 2019, net cash used in investing activities was \$20.7 million resulting primarily from \$18.3 million in purchases of property and equipment and capitalized internal-use software, and \$2.7 million in investments in available-for-sale debt securities and other equity securities.

For the three months ended March 31, 2021 and 2020, net cash used in investing activities was \$2.9 million and \$2.0 million, respectively, resulting primarily from purchases of property and equipment, including capitalized internal-use software.

### ***Net cash (used in) provided by financing activities***

Our primary uses of cash in financing activities are for our servicing and refinancing our long-term debt, repurchases of common stock and settlements of stock options and RSUs. Net cash provided by financing activities is primarily impacted by exercises of stock options by our employees and issuance of common stock.

In 2020, net cash used in financing activities was \$15.1 million resulting primarily from repayments on our 2018 Term Loan totaling \$5.4 million repurchase of common stock of \$4.8 million and repurchases of common stock for tax withholding obligations of \$3.6 million. In March 2020, we drew down the full \$40.0 million available from our 2018 Revolving Facility in response to macroeconomic concerns with regards to COVID-19. The 2018 Revolving Facility was paid in full by May 2020.

In 2019, net cash used in financing activities was \$12.9 million resulting primarily from repayments on our 2018 Term Loan totaling \$5.4 million, repurchases of common stock for tax withholding obligations of \$3.8 million and the repurchase of common stock of \$1.5 million.

For the three months ended March 31, 2021, net cash used in financing activities was \$1.8 million, resulting primarily from repayments on our 2018 Term Loan of \$1.3 million.

For the three months ended March 31, 2020, net cash provided by financing activities was \$36.6 million, resulting primarily from the drawdown of the full \$40.0 million from our 2018 Revolving Facility in response to macroeconomic concerns with regards to COVID-19, offset in part by repurchases of common stock for tax withholding obligations of \$2.0 million.

### ***Contractual obligations and commitments***

We have contractual commitments for our 2018 Term Loan, operating leases, marketing and technology expenditures. For additional information, see Note 11 and Note 13 to our consolidated financial statements included elsewhere in this prospectus.

Interest payments on the 2018 Term Loan are based upon the applicable interest rates as of December 31, 2020 and are subject to change in future periods. We currently intend to use a portion of the net proceeds to us from this offering to repay \$ million of the outstanding indebtedness under the 2018 Term Loan. We have operating lease commitments primarily relate to minimum lease payments under the operating leases we entered into for facility spaces in Glendale, California, Austin and Frisco, Texas and London, United Kingdom. Our purchase commitments relate to minimum purchase commitments for advertising, media, and technology.

We believe our current cash and cash equivalents, as well as cash expected to be generated by future operating activities, will be sufficient to meet our contractual obligations for the next twelve months.

Our commitments are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the actions under the contracts. The table does not include obligations under agreements that we can cancel without a significant penalty.

### ***Off-balance sheet arrangements***

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### ***Critical Accounting Policies and Estimates***

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent

liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, however not limited to, revenue recognition, sales allowances and credit reserves, available-for-sale debt securities, valuation of long-lived assets and goodwill, income taxes, commitments and contingencies, valuation of assets and liabilities acquired in business combinations, fair value of derivative instruments and stock-based compensation. Actual results could differ materially from those estimates. Our most critical accounting policies are summarized below. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for a discussion of our other significant accounting policies.

### **Revenue recognition**

We derive our revenue from the following sources:

*Transaction revenue*—Transaction revenue is primarily generated from our customized legal document services upon fulfillment of these services. Transaction revenue includes filing fees and is net of cancellations, promotional discounts and sales allowances. Until April 2020, when we ceased providing such services, we also generated transaction revenue from our residential and commercial conveyancing business in the United Kingdom. Revenue for these services was recognized when delivered to the customer. In addition, until July 2019, when we ceased providing such services, we generated revenue from litigation services in the United Kingdom, and we recognized this revenue based on the time incurred by the attorneys at their market billing rates. In 2020, we commenced providing tax advice and filing services in the United States, which are recognized at the point in time when the customer's tax return is filed and accepted by the applicable government authority.

*Subscription revenue*—Subscription revenue is generated primarily from subscriptions to our registered agent services, compliance packages, attorney advice, and legal forms services, in addition to SaaS subscriptions in the United Kingdom. In the fourth quarter of 2020, we commenced providing tax, bookkeeping and payroll subscription services. We recognize revenue from our subscriptions ratably over the subscription term. Subscription terms generally range from thirty days to one year. Subscription revenue includes the value allocated to bundled free-trials for our subscription services and is net of promotional discounts, cancellations, sales allowances and credit reserves and payments to third-party service providers such as legal plan law firms and tax service providers.

*Partner revenue*—Partner revenue consists primarily of one-time or recurring referral fees earned from third-party providers from leads generated to such providers through our online legal platform. Revenue is recognized when the related performance-based criteria have been met. We assess whether performance criteria have been met on a cost-per-click or cost-per-action basis.

We determine revenue recognition through the following five steps: identification of a contract with a customer; identification of the performance obligations in the contract; determination of the transaction price; allocation of the transaction price to the performance obligations in the contract; and recognition of revenue when or as the performance obligations are satisfied.

Our customers generally pay for transactions in advance by credit or debit card except for certain services provided under installment plans where we allow customers to pay for their order in two or three equal payments. The first installment due under the installment plans is charged to the customer's debit or credit card on the date the order is placed, and the remaining installments are generally charged on a monthly basis thereafter. We recognize revenue for the amount we expect to be entitled to for providing the services to our customers. The total fees collected by us for our services include, as applicable, expedited services fees, government filing fees, shipping fees and sales tax.

Subscription services are generally paid monthly or annually in advance of the subscription period except for SaaS services in the United Kingdom which are invoiced monthly in arrears. Amounts collected in advance of revenue recognition are recorded in deferred revenue. Customers may pay for services, however, may not

provide the necessary information to complete a transaction. We attempt to contact the customer to complete the abandoned order. We recognize revenue on abandoned services, or breakage, when it is likely to occur and the amount can be recognized without significant risk of reversal. We recognize breakage in proportion to the pattern of rights exercised by the customer. Judgment is required to determine the amount of breakage and when breakage is likely to occur, which we estimate based on historical data of breakage for similar services.

Services we offer can generally either be purchased on a stand-alone basis or bundled together as part of a package of services. Accordingly, a significant number of our arrangements include multiple performance obligations, such as the preparation of legal documents combined with related document revision, document storage, registered agent services, and free trial periods of our legal plans. At contract inception, we assess the services promised in our contracts with customers and identify performance obligations for each promise to transfer to the customer a service or bundle of services that is distinct. The identification of distinct performance obligations within our packages may require significant judgment.

The transaction price allocated to each separate performance obligation represents the amount of consideration to which we expect to be entitled in exchange for the services we provide. The transaction price is based on the contractual amounts in our contracts and is reduced for estimated sales allowances for price concessions, charge-backs, sales credits and refunds, which are accounted for as variable consideration when estimating the amount of revenue to recognize. We only include variable consideration in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. We estimate sales allowances using the expected value method. We have established a sufficient history of estimating sales allowances given the large number of homogeneous transactions. The majority of our allowances and reserves are known within a relatively short period of time following our balance sheet date. The estimated provision for sales allowances has varied from actual results within ranges consistent with management's expectations. The transaction price excludes sales taxes.

Contracts with our customers may include options to purchase additional future services, and in the case of subscription services, options to auto-renew the subscription service. Additional consideration attributable to either the option to purchase additional future services or the option to renew are excluded from the transaction price until such time that the option is exercised, unless these options provide a material right to the customer.

For arrangements that contain multiple performance obligations, such as our bundled arrangements, we allocate the transaction price to each performance obligation based on estimates of the standalone selling price of each performance obligation within the bundle. For the services we sell on a standalone basis, we use the sales price of these services in the allocation of the transaction price in bundled arrangements. Where we do not sell the service on a standalone basis, we estimate the standalone selling price based on the adjusted market assessment approach or the expected cost plus a margin approach when market information is not observable. In these cases, the determination of the standalone selling price may require significant judgment.

We recognize revenue when we satisfy the performance obligation by transferring the promised good or service to the customer. For our transaction-based services, we generally recognize revenue at a point-in-time when the services are delivered to the customer. For our subscription-based services we recognize revenue on a straight-line basis over the subscription term. For our partner-based services, we recognize revenue at a point-in-time when the related performance-based criteria have been met.

We do not have significant financing components in arrangements with our customers.

#### *Principal agent considerations*

In certain of our arrangements, another party may be involved in providing services to our customer. We evaluate whether we can recognize revenue gross as a principal or net as an agent. We record revenue on a gross basis when we are the principal in the arrangement. To determine whether we are a principal or an agent, we

identify the specified good or service to be provided to the customer and assess whether we control the specified good or service before that good or service is transferred to the customer. We evaluate a number of indicators of whether we control the good or service before it is transferred to the customer, including whether we have primary fulfillment responsibility and obligation to perform the services being sold to the customer; we have latitude in establishing the sales price; and we have inventory risk.

In arrangements in which we are the principal, we record as revenue the amounts we have billed to our customer, net of sales allowance, and we record the fee payable to the third-party as cost of revenue. We are the principal in most of our legal document preparation and registered agent services, including legal entity formations and similar arrangements and conveyancing and formation services in the United Kingdom. For these services, revenue includes filing and similar fees.

In arrangements in which we are not the principal, we record revenue on a net basis, which is equal to the amount billed to our customer, net of sales allowances and the fee payable to the third-party or partner that is primarily responsible for performing the services for the customer. We are not a law firm in the United States and cannot provide legal advice through our U.S. entities, therefore the participating independent law firms in our legal plans control the service to the customer and have the primary service obligation to provide attorney consultations to our customers, for which we pay the law firms a monthly fee. For these arrangements, we recognize revenue on a net basis as an agent. Since 2016, our Alternative Business Structure, or ABS, subsidiary in the United Kingdom began offering legal advisory services that were marketed through our website. Our ABS provides independent legal advice to our customers and is directly responsible for, and controls the fulfillment of, the legal services. Accordingly, for services provided by our ABS, we recognize revenue as the principal. For other services provided by third-parties, including deed transfer, accounting, tax, credit monitoring, business data protection and logo design services, revenue is recognized net of fees payable to third-parties. For partner revenue, we receive a fee for the referral of our customer to the partner or we retain a portion of the fee paid by the customer and share the remainder with partner. Our partner controls the service to the customer and the partner is responsible for fulfilling the referred service to the customer; accordingly, we recognize revenue for these arrangements on a net basis.

Revenue includes shipping and handling fees charged to customers.

### ***Business combinations***

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess purchase consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed for an acquisition and allocate the purchase price to their respective net tangible and intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. We generally engage the assistance of third-party valuation specialists in determining fair values of assets acquired and liabilities assumed and contingent consideration, if any, in a business combination.

Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expenses in the accompanying consolidated statements of operations.

### ***Goodwill***

Goodwill represents the excess of the aggregate fair value of the consideration transferred in a business combination over the fair value of the assets acquired, net of liabilities assumed. Goodwill is not amortized, however, it is subject to impairment testing at the reporting unit level annually during the fourth quarter of our fiscal year or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

In assessing impairment, we have the option to first assess qualitative factors to determine whether or not a reporting unit is impaired. Alternatively, we may perform a quantitative impairment assessment or if the qualitative assessment indicates that it is more-likely-than-not that the reporting unit's fair value is less than its carrying amount, a quantitative analysis is required. The quantitative analysis compares the estimated fair value of the reporting unit with its respective carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount including goodwill, goodwill is considered not to be impaired. If the fair value is less than the carrying amount including goodwill, then a goodwill impairment charge is recorded by the amount that the carrying value exceeds the fair value, up to the carrying amount of goodwill.

In 2019, we had two reporting units, the U.S. reporting unit and the U.K. reporting unit. Our U.K. reporting unit's performance was below expectations and further deteriorated in 2019. Our quantitative goodwill assessment in 2019 concluded that the carrying value of the U.K. reporting unit exceeded its fair value, and accordingly, we impaired all the goodwill attributable to the U.K. reporting unit of \$10.6 million.

For our goodwill impairment test performed in the fourth quarter of 2020, the fair value of our consolidated reporting unit significantly exceeded our carrying value.

#### ***Loss contingencies***

We record loss contingencies in our consolidated financial statements in the period when they are probable and reasonably estimable. If the amount is probable and we are able to reasonably estimate a range of loss, we accrue the amount that is the best estimate within that range, and if no amount is better than any other in the range, we record the amount at the low end in the range. We disclose those contingencies that we believe are at least reasonably possible but not probable regardless of whether they are reasonably estimable. The likelihood of a loss is determined using several factors including the nature of the matter, advice of our internal and external counsel, previous experience and historical and relevant information available to us. The determination of the likelihood of loss or the range of loss requires significant management judgment. We expense legal costs for defending legal proceedings as incurred.

As discussed in Note 13 to our consolidated financial statements included elsewhere in this prospectus, we are subject to pending matters for which we believe that we have meritorious defenses to the claims and intend to defend against vigorously.

#### ***Income taxes***

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements. Deferred income tax assets and liabilities are measured using enacted tax rates anticipated to be in effect when those tax assets and liabilities are expected to be realized or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of operations in the period that includes the enactment date.

We make judgments in evaluating whether deferred tax assets will be recovered from future taxable income. A valuation allowance is established if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risk associated with estimates of future taxable income in assessing the need for a valuation allowance. If our assumptions and consequently our estimates, change in the future, the valuation allowance may be increased or decreased, resulting in an increase or decrease, which may be material, to our provision for income taxes and the related impact on our net income.

We recognize tax benefits from an uncertain position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits. If this threshold is met, we measure the tax benefit as the largest amount of the benefit that is greater than fifty percent likely to be realized upon ultimate settlement. We recognize penalties and interest accrued with respect to uncertain tax positions as a component of the income tax provision.

See Note 18 to our consolidated financial statements included elsewhere in this prospectus for further information on our income taxes.

### ***Stock-based compensation***

We estimate the fair value of employee stock-based payment awards on the grant-date and recognize the resulting fair value, net of estimated forfeitures, over the requisite service period. We use the Black-Scholes option pricing model for estimating the fair value of options granted under our stock option plans that vest based on service and performance conditions. The fair value of RSUs, that vest based on service and performance conditions is determined based on the value of the underlying common stock at the date of grant. For awards that contain market conditions, we estimate the fair value using a Monte Carlo simulation model. We record expense for awards that contain performance conditions only to the extent that we determine it is probable that the performance condition will be achieved. Expense for awards containing market conditions is not reversed even if the market condition is not achieved. We have elected to treat stock-based payment awards with graded vesting schedules and time-based service conditions as a single award and recognize stock-based compensation on a straight-line basis, net of estimated forfeitures, over the requisite service period. Awards with performance or market conditions are recognized using graded vesting.

*Options.* The Black-Scholes option-pricing model and the Monte Carlo simulation model requires us to make certain assumptions including the fair value of our underlying common stock, the expected term, the expected stock price volatility, the risk-free interest rates and the expected dividend yield of our common stock. These assumptions used in the Black-Scholes option-pricing model and the Monte Carlo simulation model, other than the fair value of our common stock (see the section titled “—Common Stock Valuations” below), are estimated as follows:

- *Expected term.* The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. The expected term of options granted is estimated based upon actual historical exercise and post-vesting cancellations, adjusted for expected future exercise behavior.
- *Risk-free interest rate.* The risk-free interest rate assumption is based upon observed interest rates on the U.S. government securities appropriate for the expected term of our stock options.
- *Expected volatility.* Because our common stock has no publicly traded history, we estimate the expected volatility from the historical volatility of selected public companies with comparable characteristics to us, including similarity in size, lines of business, market capitalization and revenue and financial leverage. We determine the expected volatility assumption using the frequency of daily historical prices of comparable public company’s common stock for a period equal to the expected term of the options. We periodically assess the comparable companies and other relevant factors used to measure expected volatility for future stock option grants.
- *Expected dividend yield.* The dividend yield assumption is based on our history and expectation of dividend payouts. Other than the special dividends paid in 2015, 2017 and 2018 which resulted in corresponding reductions in the exercise price of the stock options, we have not declared or paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future.

Stock-based compensation expense is recognized based on awards that are ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on our historical experience and future expectations.

If any of the assumptions used in the Black-Scholes option-pricing model change significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

The determination of stock-based compensation is inherently uncertain and subjective and involves the application of valuation models and assumptions requiring the use of judgment. If we had made different



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assumptions, our stock-based compensation expense, and our net income (loss) for 2019, 2020 and the three months ended March 31, 2020 and 2021, may have been materially different.

The weighted-average assumptions that were used to calculate the grant-date fair-value of our stock option grants were as follows (in thousands):

	Year Ended December 31,		Three Months Ended
	2019	2020	March 31, 2020
Expected term (years)	5.1	5.2	5.1
Risk-free interest rate	1.5%	1.1%	1.6%
Expected volatility	44%	45%	43%
Expected dividend yield	—	—	—

We did not grant any stock options in the three months ended March 31, 2021. Our types of stock option awards are as follows:

Options that vest upon the satisfaction of service-based vesting conditions, which is typically over a four-year period. For these options we recognize stock-based compensation expense on a straight-line basis over the vesting period of 4 years net of forfeitures.

Options that vest depending upon the fair value of our common stock appreciation compared to the grant-date fair value of our common stock upon the consummation of a CIC event, which includes an IPO, merger, acquisition, or sale of more than 50% of our assets, providing the holder remains employed through the date of the event. These options contain a performance vesting condition, a market condition and a service condition, and were valued using a Monte-Carlo simulation model. The market condition is satisfied on a linear basis, starting at 0% with a fair value of our common stock equal to \$19.64 per share and ending at 100% upon reaching a fair value of our common stock of \$29.46 per share. For these options, since vesting is contingent on a CIC event, no stock-based compensation expense is recognized until the CIC event occurs. At the date of the CIC event, including this offering, we will recognize stock-based compensation expense for all of the then unrecognized stock-based compensation cost, irrespective of whether the market condition is satisfied. At December 31, 2020 and March 31, 2021, there was \$8.2 million of unrecognized stock-based compensation expense related to these options. Furthermore, we granted a separate option to an executive officer with the same performance vesting condition, market condition and service condition as noted above, however, the option also contains 100% cliff vesting upon the fourth anniversary if a CIC event does not occur beforehand. Stock-based compensation for this option is being recognized on a straight-line basis over the four-year service period and will be recognized irrespective of whether the market condition is satisfied either upon the CIC event or the fourth anniversary, whichever occurs first. At December 31, 2020 and March 31, 2021, there was \$9.2 million and \$8.4 million of unrecognized stock-based compensation expense related to this option, respectively.

For time-based options granted to certain executive officers, vesting will accelerate 50% of their unvested options upon a change in ownership of more than 50%, sale, merger, disposition, dissolution or liquidation. Vesting does not accelerate upon an IPO. Furthermore, the time-based options will accelerate up to 100% if the executives are terminated without cause by us or by the executive officer for good reason within 24 months of a CIC event.

*Restricted stock units.* We have granted several types of restricted stock awards as follows:

RSUs that vest upon the satisfaction of service-based vesting conditions, which is typically over a four-year period. For these RSUs we recognize stock-based compensation expense on a straight-line basis over the vesting period of 4 years.

RSUs that only vest upon the achievement of up to four-years of service and upon the consummation of a CIC event. Employees will be eligible to retain the right to any awards that have met the service vesting condition up to a period of 6.5 years from their respective grant date. If the recipient employee terminates for any reason other than for cause, the employee shall retain any service-vested RSUs until 6.5 years from the date of grant or the earlier settlement of the service-vested RSUs upon the consummation of a CIC event. For these

RSUs, since vesting is contingent on a CIC event, no stock-based compensation expense is recognized until the CIC event occurs. At the date of the CIC event, including this offering, we will recognize stock-based compensation on a graded vesting basis for the portion of the service period completed prior to the CIC event. At December 31, 2020 and March 31, 2021, there were \$17.9 million and \$27.5 million of unrecognized stock-based compensation expense related to these RSUs, respectively. There has been no compensation expense recognized as both the CIC event and service-based vesting condition had not been satisfied as of March 31, 2021.

RSUs that vest upon the earlier of either prior to December 31, 2022: (1) a change in control, or CIC event establishing an enterprise value of at least \$5.0 billion; or (2) our registered securities achieving a trailing 30-day volume weighted average price on a listed exchange establishing an enterprise value of at least \$5.0 billion after our initial public offering, or the IPO event, providing the holder remains employed through the date of the event. These RSUs contain a performance vesting condition, a market vesting condition and service vesting condition, and were valued using a Monte-Carlo simulation model. For these RSUs, since vesting is contingent on a CIC event, no stock-based compensation expense is recognized until the CIC event occurs. At the date of the CIC event, including this offering, we will recognize stock-based compensation expense for the portion of the service period prior to CIC event and continue to recognize expense over the remainder of the derived service period, unless we meet the 30-day trading volume at an enterprise value of at least \$5 billion beforehand, in which case, any remaining unrecognized stock-based compensation cost will be expensed. We will incur stock-based compensation expense irrespective of whether the market condition is satisfied. At December 31, 2020 and March 31, 2021, there were \$0.3 million of unrecognized stock-based compensation expense related to these RSUs.

RSUs that vest depending upon the fair value of our common stock appreciation compared to the grant-date fair value of our common stock upon the consummation of a CIC event, which includes an IPO, merger, acquisition, or sale of more than 50% of our assets, providing the holder remains employed through the date of the event. These RSUs contain a performance vesting condition, a market condition and a service condition, and were valued using a Monte-Carlo simulation model. The market condition is satisfied on a linear basis, starting at 0% with a fair value of our common stock equal to \$19.64 per share and ending at 100% upon reaching a fair value of our common stock of \$29.46 per share. For these RSUs, since vesting is contingent on a CIC event, no stock-based compensation expense is recognized until the CIC event occurs. At the date of the CIC event, including this offering, we will recognize stock-based compensation expense for all of the then unrecognized stock-based compensation cost, irrespective of whether the market condition is satisfied. At December 31, 2020 and March 31, 2021, there was \$0.2 million of unrecognized stock-based compensation expense related to these RSUs.

For 509,165 RSUs granted to an executive officer, vesting will accelerate on 25% of their unvested options upon a CIC event including an IPO, or will accelerate up to 100% if the executive officer is terminated without cause by us or by the executive officer for good reason. At December 31, 2020, total remaining stock-based compensation expense for the RSU award was \$5.0 million, of which \$1.3 million will be expensed upon the consummation of a CIC event.

*Common stock valuations.* The fair value of the shares of common stock underlying our stock options and RSUs have historically been determined by our board of directors. Prior to this offering, given the absence of a public trading market of our common stock, and in accordance with the American Institute of Certified Public Accountants Accounting and Valuation Guide, or AICPA, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, our board of directors with input from management reviewed and exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of fair value of our common stock, including the following:

- the sale of our common stock to unrelated, third parties;
- the nature and history of our business;
- general economic conditions and specific industry outlook;
- our financial condition;

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- our operating and financial performance;
- contemporaneous independent valuations performed at periodic intervals;
- the market price of companies engaged in the same or similar line of business having their equity securities actively traded in a free and open market;
- the likelihood of achieving a liquidity event, such as an IPO or sale of our company given prevailing market conditions and the nature and history of our business;
- overall economic indicators, including gross domestic product, employment, inflation and interest rates, and the general economic outlook;
- the differences between our preferred and common stock in respect of liquidation preferences, conversion rights, voting rights and other features; and
- an adjustment necessary to recognize a lack of marketability for our common stock.

We performed valuations of our common stock that considered the factors described above. We determine our enterprise value using an income approach and market approach. The income approach estimates our enterprise value based on estimates of future cash flows that are discounted to their present values using a discount rate reflective of the risk associated with the future cash flows. As of each valuation date, we update our forecasts, as applicable, considering our recent results, changes in our expectations and any new strategic initiatives implemented at the time of the valuation. Under the market approach, we use the guideline public company method to estimate our enterprise value based on a comparison to similar publicly traded companies and other companies that have recently completed an IPO. From these comparable companies, we determine representative multiples for revenue and Adjusted EBITDA, which is then applied to our revenue and Adjusted EBITDA estimates. Once our enterprise value is determined, we then adjust for any excess working capital and other similar items, excess cash and the fair value of our debt to arrive at an equity value.

Once our equity value is determined, we utilize the probability-weighted expected return method, or PWERM, in combination with the option-pricing method, or OPM, as a hybrid method, or Hybrid Method, which is an accepted valuation method under the AICPA Practice Guide, for determining the fair value of our common stock. The PWERM is a scenario-based analysis that estimates the value per share of common stock based on the probability-weighted present value of expected future equity values for the common stock, under various possible future liquidity event scenarios, in light of the rights and preferences of each class and series of stock, discounted for a lack of marketability. The OPM values each equity class by creating a series of call options on the equity value, with exercise prices based on the liquidation preferences, participation rights and strike prices of derivatives. The Hybrid Method is appropriate for a company expecting a near-term liquidity event, but where, due to market or other factors, the likelihood of completing the liquidity event is uncertain. The Hybrid Method considers a company's going concern nature, stage of development and our ability to forecast near and long-term future liquidity scenarios. The valuation was performed under a Monte Carlo Simulation, or MCS, framework. Under this framework, our equity value was simulated in quarterly time-steps and for each path the exit scenario was determined by drawing from a uniform (0, 1) distribution based on our probabilities.

We determine the exercise price of our option grants based on the fair value of our common stock as of the immediately preceding valuation, unless circumstances warrant obtaining a more current valuation, including any material changes in our business or events, size of the award and the proximity of the grant to the preceding valuation.

Following this offering, it will not be necessary to determine the fair value of our common stock using these valuation approaches as shares of our common stock will be traded in the public market.

Based upon an assumed initial offering price of \$            per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, the aggregate intrinsic value of outstanding stock options as of

March 31, 2021 was \$       million, of which \$       million related to vested options and \$       million related to unvested options, and the intrinsic value of RSUs outstanding as of March 31, 2021 was \$       million.

### **Quantitative and Qualitative Disclosures About Market Risk**

We have operations both within the United States and, to a lesser extent, in the United Kingdom, and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate fluctuations and foreign currency exchange risks, and to a lesser extent, inflation risk.

#### ***Interest rate fluctuation risk***

At December 31, 2020 and March 31, 2021, we had cash and cash equivalents of \$114.5 million and \$141.2 million, respectively, which consisted of cash on deposit with banks and short-term highly liquid money market funds. Interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant.

We also had total outstanding debt subject to interest rate risk of \$524.3 million and \$523.0 million in principal as of December 31, 2020 and March 31, 2021. We are exposed to market risk from changes in interest rates on our 2018 Credit Facility, which accrues interest at a variable rate. We performed a sensitivity analysis to determine the effect of interest rate fluctuations on our interest expense. A hypothetical 1% increase or decrease in the interest rates used for our outstanding term loans during 2020 and the three months ended March 31, 2021, with all other variables held constant, would have resulted in an increase or decrease of \$5.4 million or \$1.3 million in our reported interest expense for 2020 or the three months ended March 31, 2021, respectively. From time to time, we may enter into derivative transactions in an attempt to hedge our interest rate risk. In March 2018, we entered into an interest rate cap agreement for an aggregate notional amount of \$340.0 million to hedge variability of cash flows in our variable interest payments attributable to fluctuations in LIBOR beyond 3.0%. The interest rate cap expired in March 2021. In April 2019, we entered into interest rate swap agreements for an aggregate notional amount of \$131.9 million to swap our variable interest rate on our 2018 Term Loan for a fixed interest rate of 2.2745%. The interest rate swaps were to expire in March 2022. In March 2020, in response to a drop in LIBOR, we modified our interest rate swap agreements to extend the term to March 2024 and also to lower the fixed interest rate from 2.2745% to a revised average rate of 1.6786%. There can be no assurance that such transactions will be effective in hedging some or all of our interest rate exposures and under some circumstances could generate losses for us.

#### ***Foreign currency exchange risk***

We have foreign currency risks related to our revenue and expenses denominated in currencies other than our functional currency, the U.S. Dollar, principally GBP. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances and intercompany loans that are denominated in currencies other than the U.S. Dollar. We recognized foreign currency gains of \$2.6 million and \$1.8 million in 2019 and 2020, respectively, and \$0.1 million in the three months ended March 31, 2021. A 10% adverse change in foreign exchange rates on foreign-denominated accounts for the year ended December 31, 2020 or three months ended March 31, 2021, including intercompany balances, would have resulted in a \$1.2 million or \$0.1 million decrease in our reported foreign currency income for 2020 or the three months ended March 31, 2021, respectively. In the event our non-U.S. Dollar-denominated sales and expenses increase, our results of operations may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time, we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities could have on our results of operations.

### ***Inflation risk***

We do not believe that inflation has had a material effect on our business, financial condition, results of operations or future prospects. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, results of operations and future prospects.

### **Internal Control over Financial Reporting**

We have identified three material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses we identified are listed below:

- We did not maintain an effective control environment. Specifically, we did not maintain sufficient accounting resources commensurate with our structure and financial reporting requirements. This material weakness contributed to the additional material weaknesses below.
- We did not design and maintain effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions.
- We did not design and maintain effective controls over our financial statement close process. Specifically, we did not design and maintain effective controls over certain account analyses and account reconciliations.

These material weaknesses resulted in adjustments to our current and prior year financial statements primarily related to debt extinguishment costs, goodwill, revenue, accounts receivable, foreign exchange expense and deferred revenue, and could result in a misstatement of any account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

We are in the early stages of designing and implementing a plan to remediate the material weaknesses identified. Our plans include:

- hiring additional experienced accounting, financial reporting and internal control personnel and changing roles and responsibilities of our personnel as we transition to being a public company and are required to comply with Section 404 of the Sarbanes Oxley Act of 2002. We have recently hired additional resources and we are engaging with a third-party consulting firm to assist us with our formal internal control plan and provide staff augmentation of our internal audit function.
- implementing controls to enhance our review of significant accounting transactions and other new technical accounting and financial reporting issues and preparing and reviewing accounting memoranda addressing these issues; and
- implementing controls to enable an effective and timely review of account analyses and account reconciliations.

We cannot assure you that these measures will significantly improve or remediate the material weaknesses described above. The implementation of these remediation measures is in the early stages and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles and as a result the timing of when we will be able to fully remediate the material weaknesses is uncertain and we may not fully remediate these material weaknesses during 2021. If the steps we take do not remediate the material weaknesses in a timely manner, there could continue to be a reasonable possibility that these control deficiencies or others would result in a material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis. This, in turn, could

jeopardize our ability to comply with our reporting obligations, limit our ability to access the capital markets or adversely impact our stock price.

We and our independent registered public accounting firm were not required to perform an evaluation of our internal control over financial reporting as of December 31, 2020 in accordance with the provisions of the Sarbanes-Oxley Act of 2002. Accordingly, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required by reporting requirements under Section 404 after the completion of this offering.

#### **Recent Accounting Pronouncements**

See Note 2 to our consolidated financial statements included elsewhere in this prospectus for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

#### **JOBS Act Accounting Election**

We are an “emerging growth company,” as defined in the *Jumpstart our Business Startups Act*, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to avail ourselves of delayed adoption of new or revised accounting standards and, therefore, we will not be subject to the same requirements to adopt new or revised accounting standards as other public companies that are not emerging growth companies. To the extent that we no longer qualify as an emerging growth company we will be required to adopt certain accounting pronouncements earlier than the adoption dates disclosed below which are for non-public business entities.

In addition, we intend to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an “emerging growth company” we intend to rely on such exemptions, we are not required to, among other things, (1) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the *Sarbanes-Oxley Act of 2002*, (2) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, (3) the requirement of the Public Company Accounting Oversight Board regarding the communication of critical audit matters in the auditor’s report on the financial statements and (4) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer’s compensation to median employee compensation. These exemptions will apply until the last day of the fiscal year ending after the fifth anniversary of this offering or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

## BUSINESS

### Our Mission

Our mission is to democratize law. We believe every business deserves the full protection of the legal system and a simple way to stay compliant with it. Our platform helps new businesses form. Once a small business is formed, we offer subscription services to protect the business, its ideas, and the families that create them. LegalZoom empowers small business owners to apply their energy and passion to their businesses instead of the legal and regulatory complexity required to operate them.

### Our Business

LegalZoom is a leading online platform for legal and compliance solutions in the United States. In 2020, 10% of new limited liability companies, or LLCs, and 5% of new corporations in the United States were formed via LegalZoom. Our unique position at business inception allows us to become a trusted business advisor, supporting the evolving needs of a new business across its lifecycle. Along with formation, LegalZoom offerings include ongoing compliance and tax advice and filings, trademark filings, and estate plans. Additionally, we have unique insights into our customers and leverage our product as a channel to introduce small businesses to leading brands in our partner ecosystem, solving even more of their business needs. We operate across all 50 states and over 3,000 counties in the United States, and have more than 20 years of experience navigating complex regulation and simplifying the legal and compliance process for our customers.

The U.S. legal and regulatory landscape is broad and varied, complex, opaque, and constantly evolving, in particular with respect to the following:

- **Multiple third-party interactions.** The simple act of forming an LLC or incorporating a corporation may require specific federal, state, county and city interactions, each with their own idiosyncrasies. For instance, in Louisiana, the state registration portal asks the not yet formed business for its EIN before completing a formation. For many consumers, this would require that they stop their filing and secure an EIN with the IRS before returning to the Louisiana registration portal, where they would need to restart the formation process again. In South Carolina, in order to incorporate, a small business must engage an attorney licensed in that state to certify its application for formation.
- **Compliance requirements are complex.** At formation, basic compliance requirements are not anticipated or understood. More advanced requirements are dictated by industry, geography, and employer type. For instance, a restaurant in Miami with even a single employee would be required to file for formation, have a registered agent, adopt an operating agreement, get an EIN, register for sales tax, receive nine business licenses and have business insurance, among other things.
- **Regulations change constantly.** The myriad of regulatory bodies and potential compliance requirements are daunting on their own, and this dynamic is amplified by the fact that they are constantly changing and evolving. According to a 2017 National Small Business Association, or NSBA, Small Business Regulations Survey, 44% of small firms in the United States reported spending 40 hours or more each year dealing with new and existing federal regulations, and 30% spend 40 hours or more each year navigating state and local regulations.

Many small businesses operate without forming a legal entity, unintentionally introducing financial risk to the owners' personal assets. The businesses that recognize that risk upfront often struggle to address it. Once they understand the need to be protected, they often do not know what to do, where to turn or how much it will cost to get help. Even when formed properly, small businesses often fail to comply with ongoing compliance requirements, thereby reintroducing personal liability or facing significant financial and operational risk. Furthermore, these difficulties are becoming more acute as the number of U.S. business formations increase, driven by various macroeconomic factors such as the rise of the gig economy and remote work, accentuating the need for a trusted, cost-effective, digital-first and simple legal and compliance solution.

LegalZoom commenced operations in 2000 so more people could access legal help. Initially, we focused on business formation, intellectual property, and estate planning. Over the years, we have expanded our offerings to cover a broader set of legal, compliance, tax and business services for small businesses. In 2020, we helped form 10% of all new limited liability companies and helped incorporate 5% of all new corporations in the United States. In addition, 25,000 trademark applications, or 6% of all trademark registration applications in the United States in 2020, were made through LegalZoom. At December 31, 2020, we had over 1.0 million subscription units outstanding and were one of the largest registered agent providers for small businesses in the United States. As a result of this success, we have become the leading brand in online legal services, with 70% aided brand awareness as of December 2020 according to a 2020 study hosted by Dynata.

Our platform combines the power of technology and people to demystify and simplify complicated processes, creating user-friendly experiences for our customers. Our proprietary technology enables us to automate many complex legal and compliance processes, allowing us to offer solutions at transparent, flat-fee prices that are at a significant discount to traditional offline alternatives. While the majority of our customers complete these transactions without human assistance, many prefer to have some guidance through the process. The combination of technology and people is at the heart of our unique customer experience. For our customers looking for general help, our customer care and sales organization of over 500 people is available for real-time guidance on how to use our services. For customers preferring credentialed assistance, we embed the option for them to retain attorneys and certified public accountants, or CPAs, from the beginning of the customer journey at affordable and transparent pricing. In addition, our unique and trusted position at business formation gives us unparalleled knowledge of our customers' needs prior to the business being operational or discoverable by other service providers. We leverage this valuable knowledge and our position as a small business' first advisor to introduce our customers to the most relevant business solutions within our partner ecosystem to help them run other aspects of their business.

We believe we earn small businesses' trust and drive significant organic traffic through our free proprietary educational content, which is often our first interaction with a potential customer. From there, our small business customers' initial purchase is typically a formation product that streamlines the process of starting a business. Alongside and after this initial transaction, our customers generally purchase annual subscription services to solve additional legal, compliance and tax needs, deepening our relationship with our customers. The power of our platform yields highly efficient unit economics: over the past several years for customers in the United States, we have generated a lifetime customer value in excess of customer acquisition costs generally within the first 90 days of establishing a customer relationship. With recurring revenue through subscription services and repurchases from existing customers, we continue to benefit from an increasing customer lifetime value.

As a result of our traction with our customers, we have achieved economies of scale that we expect to continue to leverage as we accelerate the growth of our business. We generated revenue of \$408.4 million in 2019 and \$470.6 million in 2020, representing a year-over-year increase of 15.2%, and \$105.8 million and \$134.6 million for the three months ended March 31, 2020 and 2021, respectively, representing a period-over-period increase of 27.3%. We had net income (loss) of \$7.4 million, \$9.9 million, \$(4.9) million and \$(9.8) million in 2019, 2020, and the three months ended March 31, 2020 and 2021, respectively. Adjusted EBITDA decreased from \$97.2 million in 2019 to \$88.0 million in 2020 and from \$13.4 million to \$3.6 million in the three months ended March 31, 2020 and 2021, respectively, as we invested further in marketing spend to expand our customer base and build on our digital brand leadership. Cash flows from operating activities increased from \$52.7 million in 2019 to \$93.0 million in 2020 and increased from \$21.9 million in the three months ended March 31, 2020 to \$31.4 million in the three months ended March 31, 2021. Free cash flow increased from \$34.3 million in 2019 to \$82.5 million in 2020, primarily as a result of growth in deferred revenue, driven by an increase in subscription units, an increase in accounts payable due to the timing of our payments and lower capital expenditures for the purchase of property and equipment, including capitalization of internal-use software. Free cash flow increased from \$19.9 million in the three months ended March 31, 2020 to \$28.5 million in the three months ended March 31, 2021, primarily as a result of growth in deferred revenue driven by an increase in the number of transactions and subscription units. For 2019, 2020, and the three months ended



March 31, 2020 and 2021, our free cash flow included cash payments for interest of \$37.3 million, \$27.9 million, \$8.3 million and \$6.1 million, respectively. Adjusted EBITDA and free cash flow are not financial measures calculated in accordance with GAAP. For further information about Adjusted EBITDA and free cash flow, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

## **Industry Trends**

***Millions of people start small businesses every year, an accelerating trend driven by digital enablement and the gig economy.***

Small businesses are the engine of the U.S. economy, representing 65% of net new job creation since 2000, according to the Bureau of Labor Statistics. These businesses are often family affairs—according to a 2016 Annual Survey of Entrepreneurs conducted by the U.S. Census Bureau, during 2017, 64% were started with family or personal savings, and 31% were family owned. These entrepreneurs also come from diverse backgrounds: according to a 2018 Annual Business Survey conducted by the U.S. Census Bureau, out of all employer firms in 2017, 20% were women-owned, 18% were minority-owned, 17% were immigrant-owned, and 6% were veteran-owned. Two major factors are driving an acceleration in small business creation: digital enablement and the gig economy. Today, an idea can become a digital business within a few days with the help of small business enablement tools. Further, with the rise of the gig economy and lead-generating platforms, a person can become a business in hours by engaging in independent work such as renting their home, driving their car, or selling their crafts or services on an established marketplace. According to a report published by MBO Partners, there were 38 million independent workers in the United States in 2020.

People start small businesses when economic times are both good and bad. Based on information available from secretaries of state, the number of business formations in the United States have grown for 26 out of the past 30 years on a year over year basis.

***Small business owners often do not know that they may face personal liability and tax consequences depending on their business formation decision.***

The first step to form a business entity is choosing a business structure at formation. A person is automatically a sole proprietor if they do not register as any other kind of business. As a sole proprietor, a small business owner has unlimited personal liability for their business activities, impacting their families and well-being. While reliable data on the total number sole proprietorships in operation is not available, we believe that millions of businesses are operating informally without forming a limited liability business, unknowingly exposing themselves to personal risk.

In spite of the risk and the complexity of the U.S. legal system, 35% of new business owners received no professional guidance in selecting a business formation structure, according to a survey conducted by Magid in 2021. According to the U.S. Census Bureau, there were 31.7 million small businesses in the United States in 2017, all of whom could benefit from legal protection.

***Many small business owners try to figure out legal requirements on their own, and often face regulatory problems for noncompliance. It can be frustrating, time consuming and expensive to navigate multiple layers of legal and compliance requirements.***

The U.S. legal and compliance system is often opaque and complex, so it is challenging for people to access legal advice and protection and to stay compliant with regulations and taxes. According to the World Justice Project, over 70% of people needing legal assistance are unable to get it. Requirements for a small business include local, regional, state and federal rules for employment, insurance, licensing, health and safety, reporting, and taxation, among other areas, all of which vary depending on industry and size of business. Overlapping, potentially contradicting, and changing guidelines increase the complexity small businesses face while navigating legal and compliance requirements on their own.

Lawyers typically bill by the hour, resulting in unknown expenses for small business clients. Moreover, according to a Clio Legal Trends report based on anonymized data from tens of thousands of U.S. based lawyers using the Clio platform, approximately 69% of the attorneys' average workday was non-billable in 2018, an inefficiency that results in higher hourly rates. The difficulty in staying current with compliance requirements can also result in high expenses for a small business. According to a 2017 NSBA Small Business Regulations Survey, 10% of small businesses in the United States are fined for regulatory non-compliance, with an average total cost of citations of nearly \$31,000 for regulatory non-compliance over a five-year period.

***There are structural impediments that make traditional offline attorneys unable to adapt to consumer behaviors and technology advancements.***

Traditional offline attorneys face significant challenges in creating a scaled technology platform. Attorneys cannot practice nationally without being licensed and regulated in each individual state, or limiting their practice exclusively to federal law. They also face numerous restrictions on the services they offer, how they advertise, their ability to work or partner with people who are not attorneys, and even receiving credit card payments. For example, according to Clio Legal Trends, 91% of attorneys can't calculate the ROI of advertising spend. In addition, due to regulatory restrictions concerning law firm business models, offline attorneys are prohibited from offering equity to investors that are not law firms or attorneys and cannot offer equity to employees that are not attorneys. This results in a lack of available technical talent for significant investment in technology and innovation.

***Online adoption of legal services lags behind other comparable industries.***

While service industries like accounting, tax, marketing and payments have rapidly transitioned online, legal offerings largely remain offline. According to IBISWorld, approximately 8% of legal services in the United States were conducted online in 2020, compared to approximately 70% of financial services and, according to Ernst & Young, 30% to 45% of healthcare services. According to the American Bar Association, more than 40% of solo attorneys do not have a website.

Online penetration has lagged in the legal industry due to the incredible complexity of the U.S. legal and regulatory landscape, which makes it difficult for an online platform to gain scale with use cases that are applicable and tailored to each local jurisdiction. The rules and regulations governing people who are not licensed attorneys providing legal solutions are complicated and vague. Offering these services nationally subjects online providers to regulatory scrutiny in each state and over 3,000 counties in the United States. This requires significant resources and processes to ensure that changes in the law, forms and procedures are monitored, identified and implemented.

***The gap between a small business owner's legal and compliance needs and available offline solutions is widening.***

The COVID-19 pandemic spurred new business formation and also highlighted the impact of policy and enforcement differences across local, regional and state levels. At the same time, the challenges associated with traditional offline "do it yourself" or "find an expert" options are becoming relatively worse as service level expectations increase as a result of small business enablement in other industries.

Technological advances are transforming consumer expectations for professional services. According to McKinsey, digital channels will help companies both meet changing customer needs and expectations and prepare for future industry disruption. The standard for digital convenience and efficiency, already high before the pandemic, has only increased. For example, the COVID-19 pandemic has resulted in the rapid adoption of video conferencing, which dramatically increases the ability for service providers to directly connect with their clients.

## Our Market Opportunity

We view our opportunity in terms of a \$48.7 billion serviceable addressable market, or SAM, which we believe we address today, and a larger total addressable market, or TAM, which we believe we can address over the long term as we grow small business consumption of legal and compliance solutions. We primarily serve small businesses with up to 50 or fewer employees. In 2017, there were 31.7 million such businesses according to the U.S. Census Bureau. The small business market is dynamic, and we estimate that there are 4.4 million new business formations annually, based on our analysis of secretary of state filings.

Our SAM includes \$18.3 billion in services that small businesses use at the time of business formation, \$21.5 billion in services that small businesses use later in their lifetime, and \$8.8 billion of consumer estate planning services. We categorize our business formation and attach opportunity as total small business spending on business formation, registered agent and government filings, tax planning and bookkeeping/records, and intellectual property protection. We categorize our post-business formation opportunity as contracts, legal forms, and other legal matters and tax preparation. In spite of the benefits of third-party legal and compliance services, there is very little usage today by small businesses of external providers of these services, based on a Kantar study, as detailed in the table below.

	<u>Total Addressable Businesses</u> <i>(in millions)</i>	<u>Current Spending—SAM % Usage(1)</u>	<u>Total Spend</u> <i>(in millions)</i>
<b><i>Business Formation and Attach Opportunity</i></b>			
Business formation filings(2)	4.4	65%	\$ 2,292
Registered agents and government filings	31.7	10%	\$ 3,516
Tax planning and bookkeeping / records	31.7	21%	\$ 9,574
Intellectual property(3)	31.7	8%	\$ 2,967
			<b>\$ 18,349</b>
<b><i>Post-Business Formation Opportunity</i></b>			
Contracts and legal forms	31.7	10%	\$ 5,545
Business tax returns	31.7	21%	\$ 10,099
Other legal matters(4)	31.7	3%	\$ 5,905
			<b>\$ 21,549</b>
<b><i>Consumer Estate Planning(3)</i></b>			<b>\$ 8,830</b>
<b>Total SAM</b>			<b>\$ 48,728</b>

Source: U.S. Census Bureau (businesses) as of 2017 and Kantar Consulting (usage and spend) as of 2019, unless noted below.

- (1) Usage based percentage of U.S. small business owners that have hired an external provider for specific services.
- (2) Addressable businesses based on our estimate of new business filings based on our analysis of secretary of state filings. Current Spending—SAM % Usage based on Magid study.
- (3) Addressable business based on management estimates.
- (4) Other legal matters include HR and employment matters, board management, immigration, dissolution of business and estate planning for small businesses.

We believe that our TAM could grow to be multiples of our SAM over the long term with increased usage of legal and compliance solutions by small businesses. By increasing access, we believe we will grow our market opportunity. Many small businesses are not aware of the various legal and compliance solutions that exist, or are daunted by the complexity and uncertainty of traditional solutions. We believe that we can address the needs of every small business with our simple, transparent, and affordable solution.

Our strategy is to grow our number of small business customers and to grow our revenue per customer by serving them throughout their lifetime. In 2020 and the three months ended March 31, 2021, most of our business

formation customers purchased another service on our platform. Moreover, we believe the number of new businesses will continue to grow as digital disruption transforms the economy and makes it easier for small businesses to thrive. We also have further opportunities to increase our TAM by adding adjacent services through third-party partnerships, in categories such as business insurance and financial planning.

### **Our Customer Journey**

Our first interaction with potential customers is often through our free proprietary educational content, through which we earn trust and drive significant organic traffic.

Typically, our small business customers' initial purchase is a business formation product that streamlines the process of starting a business. We use our technology platform to create a simple, user-friendly workflow that enables our customers to confidently form a business with just a few clicks. For many customers, getting real-time general information about the overall business entity formation process and our related products is an important benefit, so we provide care and sales support real time. As a result, our business formation products have a net promoter score, or NPS, over double that of traditional offline attorneys, who have an NPS of 25, helping us form a trusted relationship with small business owners. Based on this trusted relationship, during 2020 and the three months ended March 31, 2021, over 60% of our small business customers purchased one year of one of our subscription services at the time of their initial formation purchase, and over half of our small business customers purchased at least one third-party solution at time of business formation.

Our compliance solutions are our largest group of subscription services. Compliance regulation and process are often cumbersome to follow and difficult to understand. For example, in most states, small businesses are required to have a registered agent, which generally must be an adult or authorized business that can receive mail or hand-delivered court documents at a physical address during normal business hours. With our registered agent subscription, we serve as our customer's registered agent: accepting their documents through the mail, digitizing critical business documents, and alerting them of critical business documents or notices. This serves to help them adhere to critical tax and annual report deadlines, among other benefits. In this fashion, our compliance solutions simplify cumbersome processes and free up our customers' time to focus on their businesses.

Customers can freely access live help from our world class customer care and sales organization, while subscribers to our legal and tax advisory plans may consult with a vetted network of independent attorneys licensed in their jurisdiction to provide legal advice, or an accountant for tax advice. With these assisted subscription services, our customers get the benefit of a credentialed professional that can provide advice at an affordable cost. For example, with our business advisory plan, our customers get fast and ongoing legal support from our independent network of attorneys for less than \$40 a month. A significant number of our customers purchase attorney advice subscriptions when starting their business, and we have seen strong traction with our tax advice subscriptions, which include advice from a CPA or enrolled agent, since its launch in late 2020.

The majority of our customers have not begun operations when they begin their relationship with LegalZoom, giving us a unique position in the business lifecycle. To help our customers operate, we partner with a variety of third-party solutions, such as business license services, bookkeeping services, banking services, productivity tools and business insurance, among others. We provide our customers with seamless introductions to trusted partners, giving them access to the critical services they need to operate and grow their business. In 2020 and the three months ended March 31, 2021, over half of our small business customers purchased at least one third-party solution.

We continue to engage our customers after their initial purchase of transaction products and subscription services. For example, after forming their business entity, our customers can opt to register their company name and/or logo as a trademark or protect their intellectual property with a patent or copyright. Additionally, as forming a company is an important life event, some of our small business customers opt to purchase an estate plan offering when they form their company. Our ongoing customer engagement results in additional purchases.

For each year since 2017, an average of 28% of our U.S. customers who purchased a transaction in such year had also purchased a transaction product in a prior year.

## **Our Value Proposition**

Our offerings align with our mission of democratizing law and empowering small business owners to apply their energy and passion to their businesses instead of the legal and regulatory complexity required to operate them. We achieve this mission because our platform has:

**Simplicity: Streamlined approach to legal and compliance.** LegalZoom simplifies complicated legal and compliance processes, creating user-friendly experiences for customers. We offer extensive legal, compliance and tax information that anyone can freely access. Once customers decide to purchase a product, our platform removes the friction associated with filing documents with local, state, and federal regulators through an intuitive user-friendly questionnaire that guides customers through the process. A typical small business forming a business entity offline spends a median of five hours just searching for a quality attorney. By comparison, LegalZoom's business formation process is designed to take under 15 minutes to complete and is increasingly done on a mobile device. Additionally, our products are reflective of our customer's evolving behaviors: almost half of our traffic is through mobile devices, and we have built a simple mobile responsive experience.

**Affordability: Accessible with fixed pricing.** We believe our platform is significantly more efficient when compared to traditional offline legal services, allowing us to offer solutions at transparent, flat-fee prices. Our business formation product starts at a flat fee of \$79, plus state-imposed filing fees. We achieve this significant cost saving in part by automating aspects of the legal document production process, such as filing entity formation documents, submitting trademark applications and generating estate planning documents. Additionally, we lower costs by utilizing customer care and fulfillment specialists to provide generalized help and only involve our independent attorney network and CPAs at the customer's request and where legally required.

**Trust: Confidence in quality.** Through over 20 years of delivering high-quality solutions, LegalZoom has built a brand associated with ease of use, transparency, and trusted quality. When small businesses come to LegalZoom to form their business and stay protected, they know they are receiving consistently high-quality, comprehensive services that will meet their needs. This trust is reflected in our NPS for small businesses, which is over double the score of traditional offline attorneys, and our NPS for our attorney network, which is roughly three times that of traditional offline attorneys. The independent attorneys in our network have on average of 15 years of experience and an average customer review rating of 4.8 stars. These product features are supplemented by our customer care and sales organization, with over 500 team members that are able to answer customers' general process questions in real time. The combination of our digital solutions, customer care organization and access to credentialed assistance gives our customers confidence that their needs are being met. In addition, through more than one million telephone conversations we have with our customers every year, we receive valuable feedback that we use to consistently evolve our products and services to meet our customers' demands for quality.

**Expertise: Credentialed professional-assisted solutions.** In instances where customers choose to engage a credentialed professional, our platform connects customers with independent attorneys in our network or in-house accountants. Through LegalZoom, customers can access professional expertise when they need it. Our network of over 1,300 independent attorneys and 75 in-house tax advisors provides our users with access to legal and compliance support when they need it. Since 2011, our independent network of attorneys has provided over 611,000 individual consultations to small businesses and families.

**Breadth: Comprehensive product and partner ecosystem.** We have built a comprehensive product ecosystem that protects businesses, ideas and the families that create them. Our educational content and business formation products arm entrepreneurs at the start of their journeys, and our IP, compliance, attorney, and tax advisory subscriptions help small business owners as they run their businesses by protecting their ideas and

ensuring they stay compliant. We supplement our products and services with a curated network of partnerships that customers can access through our platform, enabling our customers to discover additional services to run their businesses. We also offer a range of services for families including estate planning services, divorce, name change, residential leases, deed transfers and attorney subscription services.

### **Our Competitive Strengths**

**Leading legal platform.** We provide a leading online legal platform that helps small businesses form, protect their ideas, stay compliant and run their businesses. We helped form 378,000 businesses in 2020 and helped create 250,000 estate plan documents in 2020. In 2020, approximately 10% of new LLCs and 5% of new corporations in the United States were formed through LegalZoom. In addition, 25,000 trademark applications, or 6% of all trademark registration applications in the United States in 2020, were made through LegalZoom. At December 31, 2020, we had over 1.0 million subscription units outstanding and were one of the largest registered agent providers for small businesses in the United States. We have invested significantly to create a highly recognizable legal brand, online and offline, with aided brand awareness of 70% and unaided brand awareness of 25% as of December 2020, more than eight times our nearest online competitor. Since inception, we have helped form over 2.8 million businesses and helped create over 3.5 million estate plan documents.

**Proven ability to operate in a highly regulated market.** We have spent more than 20 years building a systematic understanding of many aspects of the U.S. legal system, across 50 states and over 3,000 counties. There is a wide variety of individual statutes and requirements across the United States, making it difficult for small businesses and consumers to fulfill their legal obligations. We have filed millions of documents on behalf of our customers with various county and state agencies in the United States. Our compliance platform allows our customers to stay focused on running their businesses, while we help them manage the ever-changing regulations and filing deadlines. Our compliance database tracks rules and deadlines across multiple jurisdictions and our platform provides notifications of rule changes and deadlines to our customers. In 2020, we sent approximately seven million notifications to our customers. Since we are a large filer of business formation and other documents with these agencies, our fulfillment teams have direct relationships with many of them and interact with many of these agencies every business day. We have also invested substantial time and capital to achieve 50-state coverage for our subscription offerings for attorney advice, registered agent, tax and other compliance related subscriptions.

**Attorney integration.** Most people prefer the comfort of knowing an attorney is available to help them with their legal needs, even if on an as-needed basis. However, most other online providers are either positioned purely as self-help with no access to attorney advice, or for those who do provide access, it is often a service connecting customers to attorneys with limited integration of the network to ensure consistent service quality. Offering attorney advice nationally through a legal plan, as we do, requires significant initial and ongoing investment, including: sourcing law firms and attorneys licensed in each state; ensuring such plans are acceptable to state regulatory agencies with varying rules; and keeping up with the administration of the plan. It took LegalZoom seven years from service inception to offer 50-state coverage through our network of independent attorneys.

**Unique position within small business lifecycle.** Given our unique position at business inception, we are typically the first business advisor a small business interacts with. In 2020, approximately two-thirds of the small businesses that formed through LegalZoom had not even begun operations when they first engaged with us. Before a small business has employees, an address or a website, they have LegalZoom. By delivering quality business formation solutions, we are able to establish trust with small businesses, who then frequently trust us with other critical needs as well. We have leveraged this trust to extend our legal and compliance product portfolio over time, through both first-party solutions such as tax, given that, based on customer surveys, we estimate that approximately 70% of small business owners that sought a tax accountant did not have one at the time of their entity formation, as well as our partner ecosystem, where we recommend third-party partners to our customers. As we grow our product portfolio, we are able to leverage proprietary data we receive at business formation to create more useful and relevant products and services for our customers.

**Authority in educational legal and compliance content for small businesses.** Our content library serves as a funnel for new customers. Our customers often interact with our educational content before making a purchase. We have grown our content library to thousands of educational articles across our services and established ourselves as a trusted source of expertise before a potential customer even begins seeking access to legal and compliance care.

**Our technology platform.** We have invested significantly since our inception in building proprietary technology that drives quality and efficiency on our platform. We use software to abstract the many archaic and last mile processes that are involved in processing formations at the state level. We deploy machine learning and natural language processing to power our registered agent offering, in order to scan and sort mail for our small business customers, allowing them to stay compliant and focus on running their businesses. We consistently improve our technology platform, resulting in improved document generation, increased automation, and increased use of the cloud to enable digital collaboration. In addition, we have developed a highly accurate database of millions of business entities we have helped form. And over time, we have collected over 1.5 billion answers as part of the user-friendly questionnaires our customers complete as part of their experience with our products. We are able to leverage this data, in accordance with relevant privacy laws and our data stewardship principles, to understand new products that may be relevant to our customers and optimize our operations. We also use APIs to seamlessly integrate our formation products within third-party applications, further extending our platform reach.

**Attractive business model.** Our financial performance is a result of attracting new customers and delivering more value over time for customers as they stay on our platform. Our unique position at business formation allows us to grow our relationships with our small business customers as their businesses evolve. Business formation serves as an onboarding point to the LegalZoom platform, and as businesses grow, their legal, compliance and tax needs naturally increase and become more complex. We have expanded our solutions to meet more of these needs, and have seen consistent lifetime value improvement over time. Given our efficient customer acquisition dynamics, we are able to profitably acquire new customers as we pursue our massive market opportunity. We have built a profitable and cash flow generative business, given this customer acquisition efficiency, economies of scale and favorable working capital dynamics.

## **Our Growth Strategy**

We are in the early days of penetrating and growing the online market for small business legal and compliance services. We expect to continue to grow our customer base, retain and expand our customer relationships, and increase our market opportunity with the following strategies.

**Grow our customer base.** We continue to grow the top of our funnel and improve our customer experience in order to grow our customer base. To accelerate growth, we intend to:

- **Increase LegalZoom brand awareness.** We intend to continue to invest in our brand to increase awareness of the protection that legal and compliance services offer small businesses, and the ease and affordability of our platform. For example, in March 2021 we launched our latest brand campaign “Let’s Make it Official”, emphasizing the core products that we offer and the benefits of our platform. We will also amplify our net promoter advantage, through social channels that drive word of mouth. We expect to shift our marketing investment towards brand and reduce our performance marketing spend as we pursue this strategy.
- **Improve conversion.** We have millions of visitors to our website each month and a large opportunity to increase conversion of prospects into customers. We have invested in improving ease of use and optimizing the checkout flow to drive better conversion upon the first interaction with potential customers. In addition, we plan to leverage machine learning further to create personalized experiences for potential customers, making them more likely to see the value of our platform.

- **Attract new customers through partner integration.** We partner with leading players that can help our small business customers and improve our ecosystem. Through our APIs, our partners can offer our solutions within their experience, providing us with a highly efficient customer acquisition channel. For example, our services can ensure that a user of these third-party integrations has an EIN in order to open a financial account or can help the user form an entity to enable independent contractors connected to the gig economy avoid misclassification as employees. We will continue to seek partner integrations to increase awareness of our brand and to grow our customer base. At March 31, 2021, we had over 135,000 paid subscriptions acquired through our partner integration channel.

**Retain and expand our customer relationships following formation.** As we innovate for small businesses, we aim to become their trusted partner for life. In order to do this, we intend to:

- **Launch adjacent services.** Our strategy is to meaningfully expand our product line in the medium term to offer a solution for the majority of small business legal and compliance needs. We have collected a vast amount of data in the past 20+ years to both improve our own solutions as well as identify additional areas where we can launch new products for our customers throughout their lifetime. For example, in 2020, we introduced a tax advisory product. We plan on continuing to invest in a broader array of services to capture this opportunity.
- **Partner to offer our customers broader ecosystem solutions.** We plan to offer additional access to third-party solutions to further support small business needs in areas such as banking, payments, payroll, accounting, and website hosting. In 2020, two-thirds of our new customers had not yet started their businesses when they first engaged with us. We believe that by working with our partners, we can increase our customer engagement and retention.
- **Increase customer lifetime value.** We plan to continue to improve the lifetime value of our customers, particularly by increasing retention of our small business subscribers. We plan to maintain engagement post-purchase with additional investments in existing solutions, add new solutions to serve additional needs, and improve lifecycle marketing to increase retention rates. We also expect to leverage machine learning even further to create a more bespoke experience for our customers. Through these initiatives, we plan to better monetize our existing customers by allowing them to realize continued value on our platform over time.

**Increase our market opportunity by introducing a new tier of higher-priced, higher-value products.** We have a large opportunity to serve customer demand by offering assistance with their legal and compliance needs.

- **Broaden customer top of funnel.** We aim to reduce peoples' uncertainty and doubt about forming a business on their own, as well as to expand our opportunity to serve people who would not consider a "do it yourself" solution. We expect to continue to broaden the top of the funnel consideration for LegalZoom by highlighting our attorney integration. We believe the "assisted" market is multiples larger than the "do it yourself" market that we have historically served, because expertise increases customer confidence.
- **Increase adoption of assisted offerings.** We plan to provide more value to our customers from existing product lines by adding a tier of Attorney Assist solutions. In June 2020, our "Attorney Assist" product for trademarks became widely available, and we have seen higher average order value, or AOV, and more orders, over time, as customers value the ability to work directly with attorneys. Solutions that incorporate an attorney have higher completion rates. We plan to continue to expand our credentialed professional-assisted offerings to complement our technology-enabled solutions.

## Customer Success Stories

The following customer stories are a couple of examples of how some of our customers have used and benefited from our platform.



***Shannon Greevy: A Bigger Room Consulting***

Like so many small business owners, Shannon Greevy spent years in corporate America before deciding the moment was right to strike out on her own. Her last day of full-time employment was on February 27, 2020, she formed her LLC through LegalZoom on March 11, and her business was born on March 13. On March 16, San Francisco went into lock down due to the COVID-19 pandemic. Rather than panicking as she watched potential clients close their businesses and lay off employees, Shannon decided she would focus on what she could control; learning about the elements of running a business for herself. Shannon enrolled in LegalZoom's tax advisory plan and business legal advisory plan where she consulted with tax professionals and business attorneys to learn about the most important facets of staying compliant while running her business.

As she closes out her first year in business, she boasts a growing client list and considers herself a pandemic success. Contrary to her fears of not finding clients, she says "It turned out that I had a special skill the universe needed. Many of my clients were people who found themselves suddenly needing to pivot from b2b or wholesale to b2c, and I was able to help them establish a social media presence and stay in business."

***Drs. Toya and Tonya Harris: BluePrint Chiropractor***

As twin sisters and chiropractors, you might say Drs. Toya and Tonya Harris are joined at the hip. After pursuing their chiropractic doctorate, a second masters degree in functional nutrition, and graduating as the Valedictorian and Salutatorian from Parker University, they decided to open their own practice in Dallas, Texas. Their ultimate goal is to keep their patients happy and moving, so that their patients are able to do whatever they want in life.

The Harris sisters made it official in January 2021 by forming The BluePrint: A Body Lab, LLC through LegalZoom. They added LegalZoom's registered agent service, DBA, and secured required business licenses through LegalZoom's partner ecosystem. The twins stated "LegalZoom made it easy for us to focus on the other aspects of starting a practice. Their team made the process pretty seamless. Whenever we had questions, they were always there to help! "

When asked what's next, the Harris twins said they'd love to set up a charitable scholarship for minorities looking to pursue careers as doctors in any healthcare profession. When Drs. Toya and Tonya are ready to set up their non-profit corporation, LegalZoom will be there to help.

***Mike Roberts: Horse's Axe***

Mike Roberts first became a LegalZoom customer in 2016 and has since formed five LLCs, including The Horse's Axe, an axe throwing and billiards bar opened in November 2020. Signing a lease just when the pandemic hit was a bit of a stumbling block, but Mike and his wife Holly found ways to drum up their Denton, Texas business after they opened. Handing out thousands of free face masks with the Horse's Axe logo printed on the front at local high school football games and businesses around town, they spread the word about their new bar. Smart marketing and innovative ideas have paid off and they are in the process of opening a second location in Denison, Texas.

In addition to forming his business through LegalZoom, Mike purchased several additional related products and services such as protection of his business name, logo and mascot through LegalZoom's attorney-assisted trademark service, a DBA, an operating agreement, an amendment package, and a last will and testament. Then in January 2021, Mike came back to LegalZoom for annual report compliance for all five of his companies. As Mike says with "LLC's, trademarks, annual report compliance and several other services... LegalZoom helped us through every step."

### **Mark and Victoria Thompson: GenFree, LLC**

Mark and Victoria Thompson worked hard to build successful careers in IT after growing up in underserved and disadvantaged communities. The Thompsons have always felt passionate about supporting others in their community by sponsoring the next generation through educational and financial support. In 2020, they established their own LLC, formed a non-profit, and updated their estate plan within three months— all through LegalZoom. GenFree LLC, the for-profit venture they formed through LegalZoom, is dedicated to building businesses that invest and create opportunities in the black community. Wanting to do even more for their community, the Thompsons also launched their non-profit, Ready for the World, through LegalZoom in February 2020. Ready for the World provides educational programs and mentorship opportunities to women of all ages.

Understanding that a new business and non-profit would require ongoing legal support, the Thompsons enrolled in LegalZoom’s business legal advisory plans for both entities, which provides them access to a third party attorney for their businesses, when they need it. The Thompsons also continue to use LegalZoom for their annual report compliance. Through this journey, Mark and Victoria quickly realized they didn’t have an estate plan for their family. Within hours, they crafted their living will and trust with LegalZoom and enrolled in the personal legal advisory plan, providing them access to an attorney to answer additional questions about their estate plan or other legal matters that might arise.

### **Our Products and Services**

We help customers form their businesses, protect their ideas, stay compliant and scale their operations. Our products and services include business formations, creating estate planning documents, protecting intellectual property, completing certain forms and agreements, providing access to independent attorney advice, and connecting customers with experts for tax preparation and bookkeeping services. The primary driver of new customers is small business formation transactions, and at that moment we aim to start a deeper relationship reflected in bundled subscription services and partner offerings. This combination creates a suite of legal and compliance solutions that are relevant for our customers’ ongoing needs. We also have a partner ecosystem that enables us to offer third-party services to our customers and to offer our services to our partners’ customers.

### **Transaction products**

We completed 691,000, 892,000 and 276,000 transaction orders in 2019, 2020 and the three months ended March 31, 2021, respectively.

Our transaction products are described in the following table.

#### **Transaction Products for Small Businesses**

##### **Business Formation**

Limited Liability Company (LLC) Formation  
Incorporation of C and S Corporations  
Nonprofit Formation  
Doing-Business-As (DBA)  
Corporate Changes and Filings  
Business Licenses  
Legal Forms

##### **Intellectual Property**

Trademark Application  
Copyright Registration  
Provisional Patent Application

##### **Tax Planning and Bookkeeping and Records<sup>(1)</sup>**

State and Federal Tax Preparation  
Payroll  
Bookkeeping

#### **Transaction Products for Consumers**

##### **Consumer Estate Planning**

Last Will and Testament  
Living Will  
Living Trust  
Power of Attorney

##### **Other Legal Matters**

Name Change  
Uncontested Divorce  
Real Estate Deed Transfer  
Real Estate Leases  
Legal Forms

(1) We launched our LegalZoom-fulfilled tax advisory and preparation, payroll and bookkeeping products in October 2020.

When generating a customized legal document, customers are guided through every step by our proprietary questionnaire and document engine platform. Related offerings are presented within the questionnaire, enabling customers to opt into complementary products and services. If customers need assistance, our customer care and sales organization is available to help them through the process. Additionally, if they need legal or accounting help, customers can opt into a subscription and get access to our tax experts and our network of independent attorneys. Once the customer submits the questionnaire data, our people or technology review responses for completeness prior to delivery or submission to the appropriate federal, state or local jurisdiction.

### **Subscription services**

More than 85% of the U.S. subscription units as of December 31, 2020 and March 31, 2021 were annual plans billed in advance. Our primary subscription services are described in the following table:

#### **Small Business Subscriptions**

Registered Agent  
Compliance  
Attorney Advice  
Tax Advice  
Legal Forms

#### **Consumer Subscriptions**

Attorney Advice through our Legal Plans  
Estate Planning Bundle  
Legal Forms

*Registered agent subscriptions.* In most states, a business entity, such as an LLC or corporation, is required to appoint and maintain a registered agent in its state of formation to receive service of process and official government communications. The entity must disclose the address of its appointed registered agent and, in many states, the registered agent must be available during business hours. This requirement can be burdensome for many small businesses to handle on their own. Our registered agent services receive, process, and forward served legal documents digitally or physically to the customer. The majority of our customers who formed their LLCs and corporations through us in 2020 and the three months ended March 31, 2021 used us as their registered agent as of each period end, and approximately 60% of our subscription units as of December 31, 2020 and March 31, 2021 were for registered agent services.

*Compliance subscriptions.* Our compliance subscriptions provide assistance with state-mandated regulatory filings, such as tax returns and corporate annual reports that are required to keep a business entity in good standing. The subscription plans also monitor the status of our customers' businesses with certain state agencies and provide alerts to notify them if they fall out of good standing as well as to stay abreast of important deadlines.

*Attorney advice subscriptions.* For small businesses and consumers seeking legal advice, we offer subscription legal plans that provide access to independent attorneys in all 50 states. These subscriptions also include other benefits, such as access to legal forms, discounts on additional legal services offered by the network attorney, and, in some cases, an annual checkup with the network attorney for estate planning purposes.

*Tax advice subscriptions.* We introduced our LegalZoom-fulfilled tax advice subscription in October 2020. This subscription includes tax advice on essential tax matters at both state and federal levels with the option to add tax preparation, as well as advice on new tax and bookkeeping-related matters from a tax expert (either a certified public accountant or an enrolled agent). Our tax services help small businesses get set up right from the beginning to minimize their tax bill.

*Legal forms and other subscriptions.* We offer other subscriptions, including unlimited access to our library of legal forms, electronic storage of applicable LegalZoom documents, and document revisions. Additionally, we offer subscriptions that enable customers to monitor trademark applications, create meeting minutes for their board of directors' meetings and monitor compliance calendar deadlines.

Our subscription agreements generally have annual terms, while some have monthly terms. They are generally non-refundable during their term, including any renewal term, after a 60-day refund period at the beginning of the initial term and any renewal term. They generally automatically renew at the end of each term unless notice of cancellation of the renewal is provided any time in advance of the renewal date. We generally do not issue pro rata refunds outside of the applicable 60-day refund period. Customers can cancel the automatic renewal on our website or by phone. In the case of our subscriptions for registered agent services, the customer needs to appoint a new registered agent for its business in order to complete a cancellation.

### ***Partner ecosystem***

We have unique insights into our customers and leverage our product as a channel to introduce small businesses to our partner ecosystem, solving even more of their needs. Our partnering arrangements include reseller models, revenue share, and flat fees earned by introducing small businesses to leading providers of small business services such as banking, bookkeeping, credit cards, business licenses, website design, and payment processing. We are evaluating expanding our strategic partnerships to include payroll, human capital management, marketing, and digital presence as well as other best-in-class industry specific solutions. We are increasingly focused on evolving our partner economic structures to recurring revenue models that reflect the value of our unique position in the customer's business lifecycle.

In addition to serving small businesses and consumers, we offer a developer platform, including application programming interfaces that enable external developers to co-brand or white-label business formation and compliance services with a highly integrated solution. Our enterprise segment customers include both large enterprises and small business platforms with a significant number of users. Our solutions provide large enterprises the ability to manage their multi-entity legal and compliance needs and small business platforms to offer business formation and compliance services to their own customers, either within their own customer experience or by referring the customer to us. The services are delivered using our proprietary technology and may include registered agent, regulatory filing, business licenses or compliance services as well. For example, we may help a large enterprise incorporate each of its independent truck drivers via a cobranded referral program, a small business platform provide formation services on a white-label basis as an integrated part of its own customer offering, or an accounting firm incorporate its clients and assist with their compliance needs.

Partner revenue consists primarily of fees earned from third-party providers from leads generated to such providers through our online legal platform. Partner revenue is generally composed of one-time or recurring referral fees, which are generated by introducing our customers to third-party providers.

### ***New product development***

Our product development strategy is focused on reducing friction and increasing conversion across our existing core products and services and expanding our portfolio of new products and services, gaining market share, and strategically deepening customer relationships, including in ways that will make legal and compliance expertise available to our customers and increase our recurring revenue through subscription offerings. Our product development team gathers customer feedback from our front-line customer service agents and leverages user experience research to inform our product roadmap. We are highly focused on using this feedback to meaningfully expand our service offerings to help our customers, from starting their businesses to successfully running them.

An example of our recent product development success is our launch of the LZ Tax offering in October 2020. Tax advice and ongoing help with bookkeeping, tax preparation and other accounting services is a primary concern for our new business formation customers. Prior to the launch of LZ Tax, we had referred our new business formation customers to a partner for tax preparation and advice. Powered by technology-enabled tax experts that have been introduced seamlessly into the customer's journey, we are now able to provide tax services directly to our customers. For January through March 2021, the transactional NPS on our initial tax consultations was 88.6. We believe that our tax offering naturally leads customers to other ancillary services we provide, including bookkeeping, tax preparation,

payroll and accounting. We also recognize the opportunity to add additional credentialed professional assistance across our product portfolio. In 2016, we added access to attorneys to our do it yourself trademark offering through a new “Attorney Led Trademark” service. In 2020, 30% of all trademark transaction customers chose this enhanced service, paying an additional \$300 per transaction. For the three months ended March 31, 2021, the share of trademark customers selecting this service rose to 51%. We intend to introduce additional access to independent attorney support into more of our business formation products. Over time, we believe we have the opportunity to build out a fully integrated technology enabled ecosystem where business formation customers will visit LegalZoom as their first and only stop, and we’ll connect them with all the appropriate, best in class credentialed professionals and advisors they need to launch and grow their small businesses.

#### ***Our content***

In our more than 20 years of operating history, we have amassed and maintained a database of forms and other legal documents used at the federal, state, and county level throughout the United States for business formations, intellectual property registrations, and estate planning purposes. We distilled the forms completion process into an easy-to-understand questionnaire that asks our customers the appropriate questions to complete the documents. The result is our proprietary logic-based architecture that translates the customers responses onto one of over 1,100 documents across 150 different product types. Our core systems use automation to map the customer’s data onto the appropriate document, prepare the document in the proper format, and, in most cases, submit it to the state or county.

#### ***Our Technology***

We have developed a highly scalable and flexible technology platform that enables us to efficiently process thousands of customer orders daily and facilitate seamless interactions with our customers and the independent attorneys participating in our legal network. We devote substantial resources to consistently enhance our technology platform. Key components of our technology are described below.

#### ***Dynamic online questionnaire***

Legal documents are populated by our platform through the use of our dynamic online questionnaires. Our customers complete a comprehensive yet intuitive questionnaire that is powered by a rules-based engine to pose questions based on the customer’s legal jurisdiction, location and prior responses to solicit the information needed to comply with local and state laws and regulations.

#### ***Document automation***

Our technology platform includes complex automation systems that transfer customer responses into our more than 1,650 state or county-specific templates to generate customized legal documents. Our automation unifies the various methods used by states and counties to form businesses into a single easy-to-understand customer experience. We have introduced straight through processing, or STP, for a subset of our estate planning and business formation documents, which has enabled us to deliver the documents to the customer in near real-time. We plan to incorporate STP in additional transactional offerings.

#### ***Compliance platform***

We have built a system to notify our customers of upcoming compliance milestones and associated requirements. Additionally, for our registered agent subscribers, we have a system of receiving, scanning, sorting, and labeling documents from state agencies across the country that leverages technology to quickly deliver physical and electronic copies to our customer.

### ***Robust CRM platform***

Our account executives, customer care and sales organization, fulfillment specialists, and tax advisors leverage a multi-channel customer relationship management, or CRM, platform, powered by integrating a variety of tier one contact center technologies. The platform is integrated within our production and fulfillment systems and enables us to support customers through communications via multiple channels including our websites, email, text, phone, online chat, and our mobile applications. For example, we automatically notify business formation customers over multiple channels regarding their order status as their legal documents progress through our workflow and when we receive confirmation of the documents being filed with or approved by government agencies.

### ***Scalable and secure infrastructure***

Our platform resides on a combination of on-premises infrastructure located in California and Texas and best-in-class public cloud-based platforms. Our platform is highly scalable to accommodate an increasing volume of customer orders. We have designed our websites to be highly intuitive and secure using proprietary software and commercially supported tools. Maintaining the integrity and security of our websites is a key priority. We utilize national security standards and appropriate tools for secure transmission of personal information between our customers and our websites and maintain a dedicated security team that drives compliance with data security standards. We intend to transition our platform to the public cloud with all essential products operating on public cloud platforms that have built-in security, and data and privacy controls.

Our website allows users to access the same content on our platform from their laptops, tablets, or smart phones. We also maintain apps on iOS and Android that make it easy for customers to access their documents, schedule consultations, and get status updates on their orders.

### ***Our Attorney Advice Network***

We offer attorney advice across all 50 states in the United States to our subscribers through a network of independent law firms that manage relationships with approximately 1,300 attorneys. Our network consists of a core group of over 135 attorneys who handle the majority of consultations across the most common legal issues. The remaining attorneys handle more specialized needs, including worker compensation, landlord and tenant issues and bankruptcy.

In 2020 and the three months ended March 31, 2021, our network completed over 80,000 and 22,000 consultations, respectively, bringing our total completed consultations, since the launch of our attorney assistance division in 2011, to over 611,000. Participating law firms must focus on customer care and satisfy stringent customer satisfaction standards to remain on the network. Customers are given the opportunity to review an attorney after each consultation. Based on these reviews, attorneys in our network achieved an average NPS of 77 in 2020. This compares to 25 for traditional offline attorneys in that same time period.

According to a Clio Legal Trends report based on anonymized data from tens of thousands of U.S. based lawyers using the Clio platform, approximately 69% of the attorneys' average workday was non-billable in 2018. Our brand and marketing efforts allow the participating attorneys to focus more on the practice of law and less on business development. The initial free consultation serves as a platform for business development, where the participating attorney can offer to provide billable legal services to our customers at discounted rates. In addition, participating law firms can leverage our brand awareness as well as the customer feedback and testimonials to market their own practice. Each firm receives a flat administrative fee from us for each legal plan participant in its area to cover the administrative costs associated with participating in our network.

### ***Our Tax and Advisory Services***

We believe our goal of becoming the trusted advisor to the small business ecosystem hinges on our ability to offer high-quality legal and compliance services at business formation and beyond. We are often the first service

provider a new business interacts with, a unique position from which we can form a long-term customer relationship. Our research suggests that our customers welcome assistance from us for their bookkeeping and tax needs, and that many of those needs are highly relevant and top-of-mind in the moment of business entity formation. We provide our customers with tax advice, tax preparation, and related tax services (like bookkeeping and payroll) in affordable subscriptions through LZ Tax, which we launched in October 2020. In addition, our customers receive a consultation included in their formation that includes guidance on their tax strategy, including how to maximize their deductions and income. Our customers gave this tax consultation a transactional NPS score of 88.6 from January 1 through March 2021, and one in five customers chose ongoing guidance with LZ Tax at the end of the consultation during that period.

### **Customer Care**

As of March 31, 2021, we had over 300 customer care representatives providing assistance, support and account management to small businesses and individuals. Exceptional customer experience is central to our culture and we take pride in our customer care team based in Austin, Texas, which handled over 1.1 million customer contacts in 2020.

Our customers have access to live help from customer care representatives by phone, online chat, text, email, or via our mobile applications. In addition, our website and mobile experience contain extensive educational content in an article center, FAQs and a knowledge center designed to assist customers in choosing the products and services that best suit their needs.

We actively monitor our service levels, fulfillment speed and quality to maintain a high level of customer care. Customer care team members have metrics-driven incentives that further align their goals and compensation with our focus on the customer while maintaining regulatory compliance. We believe the effectiveness of our approach is reflected in our strong NPS of 64.8 in 2020, which is based on over 58,000 responses from customers.

### **Sales and Marketing**

LegalZoom is a highly recognizable online legal services brand for small businesses and individuals in the United States. We have invested significantly to create a highly recognizable legal brand, online and offline, with aided brand awareness of 70% and unaided brand awareness of 25% as of December 2020, the latter more than eight times our nearest online competitor according to a 2020 study hosted by Dynata. We intend to continue to invest in our brand awareness, emphasizing the core products that we offer and the benefits of our platform. We attract a meaningful percentage of unpaid website traffic, underscoring our brand strength and unique content offering. Our content marketing includes educational initiatives such as our Article Center on our website, where we create content to better inform our customers on how they can plan for and protect themselves, their families, and their businesses.

We use a strategic mix of online and offline marketing in combination with inbound sales. We are highly disciplined and metric-driven in driving customer acquisition cost efficiencies. Our largest customer acquisition media spend is in search engine marketing to capture demand generated by our other paid and organic channels. We also advertise across television, radio, podcasts, digital video, and social media. Our affiliate partnerships have historically been another very successful channel for customers to discover LegalZoom and learn more about our products.

We maintain a sales team of over 200 professionals in the Austin, Texas area. This team takes inbound calls from customers and prospects, using a conversational approach to introduce our services, explain features and recommend various partners. When our sales team becomes involved, the average order size frequently increases due to their effectiveness in selling ancillary offerings. Our sales teams also proactively target qualified prospects, such as those who began a questionnaire in our customer experience journey but have yet to purchase.

## **Our Competition**

We operate in a very competitive industry. We face intense competition from law firms and solo attorneys, online legal document services, legal plans, secretaries of state, tax preparation companies and other service providers. The online legal solutions market is evolving rapidly and is becoming increasingly competitive. Other companies that focus on the online legal document services market or business formations, such as BizFilings, LegalShield, MyCorporation, and RocketLawyer, and law firms that may elect to pursue the online legal document services market, can and do directly compete with us. Law firms and solo attorneys, who provide in-person consultations and are able to provide direct legal advice that we cannot offer due to laws and regulations regarding the unauthorized practice of law, or UPL, compete with us offline and have and may develop competing online legal services. We compete in the registered agent services business with several companies that target small businesses, including Wolters Kluwer, and these competitors have extensive experience in this market. In addition, certain U.S. states, including Nevada and Louisiana, offer online portals where consumers may file their articles of organization. We also compete in tax advisory service business with several companies, including H&R Block and Jackson Hewitt.

We may also face potential competition from large internet providers, such as Amazon or Alphabet, who may choose to enter into the online legal solutions business. These businesses have disrupted multiple industries and routinely enter new verticals. While they have no particular expertise in providing legal solutions online, their extensive resources and brand recognition would make them formidable competitors and could adversely affect our business.

Our direct and indirect competitors, whether they are online legal document providers, legal plan providers, law firms, accounting firms, solo attorneys or large internet providers, may also be developing innovative and cost-effective services that target our existing and potential customers. We expect to face increasing competition from offline and online legal services providers in our market, and our failure to effectively compete with these providers could result in revenue reductions, reduced margins, and loss of market share, any of which could materially and adversely affect our business, results of operations, financial condition and future prospects.

We believe competitive factors for our services include ease of use, breadth of offerings, brand name recognition, reputation, price, quality and customer service and that we compare favorably on all these bases.

## **Human Capital Management**

As of March 31, 2021, we, together with all our subsidiaries, had 1,055 employees worldwide. As of March 31, 2021, we also engage 17 contractors and consultants. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we believe that our employee relations are strong.

Our primary compensation strategy is to promote a pay-for-performance culture. Our guiding principles are anchored on the goals of being able to attract, incentivize, and retain talented employees who can develop, implement, and drive long-term value creation strategies. We've designed our compensation program so that every employee has a component of their compensation that is performance or incentive driven. We offer competitive compensation that we believe is aligned with the market and fair relative to our peers.

At LegalZoom, one of our core values is People First. By that, we not only mean caring for and protecting the millions of customers we have served since inception, but investing in, empowering and fostering trust and wellness among our employees, whom we call Zoomers. For example, when many of our Zoomers were impacted by the recent unprecedented storms and power outages in Texas in February 2021, we moved quickly to set up a relief fund for all of our impacted Zoomers and we donated directly to an organization directly serving the broader impacted community. In addition, we provided additional paid days off for employees who were unable to work due to power outages or internet connection issues.

We made an abrupt change in March 2020, in the face of the global COVID-19 pandemic, to move all of our non-essential workers to a remote, work-from-home environment. The primary drive for all decision-making



in the face of the pandemic has been focused on employee wellness. We've remained agile to accommodate the ever-changing needs of our employees as well as the changing nature of the pandemic. Our non-essential workforce continues to be almost entirely remote today. We've made numerous investments in our employees to accommodate this new remote environment, including providing an allowance for home office needs, giving employees an added rest day each year, providing paid transportation via ridesharing apps for essential workers who would normally take public transportation, and providing ten emergency paid sick days for employees to use if they have been impacted by COVID-19 in any way. We also host virtual live Yoga sessions twice a week, and are expanding our virtual development courses to better support employees working remotely.

We are focused on building a diverse and inclusive workplace and we strive to have our employees mirror the diversity of our customers and communities we serve. We believe we are thriving when every voice is nurtured and heard.

We have five employee networks today, each with dedicated internal funding, executive sponsorship and a focus on supporting diversity equity and inclusion within and outside of LegalZoom:

***Pride Zoomer Alliance Network***

The mission of the Pride Zoomer Alliance is to support and empower LGBTQIA+ Zoomers, customers, and communities—and their allies—by providing a safe place for them to be seen and heard. We work to ensure that LegalZoom is a fair and inclusive workplace for all, and we join our allies across the organization who share our vision for equity, inclusion, and social justice.

***Lift Every Voice Black Network***

The mission of Lift Every Voice Black Network is to uplift, empower and promote the advancement of Black Zoomers. The network serves to do the following:

- Provide professional development through educational, mentoring and networking opportunities;
- Provide assistance with the recruitment and retention of Black talent;
- Promote company-wide awareness of Black culture and issues impacting Black Zoomers and the larger Black community;
- Strengthen the relationships Black Zoomers have with each other and the Zoomer community; and
- Strengthen the relationship LegalZoom has with the greater Black community.

***Rise Up — Women's Network***

The mission of Rise Up is to amplify the drivers of success for women at LegalZoom to increase representation in senior positions and support overall career development.

***Women in Tech Network***

The mission of Women in Tech is to build a community within LegalZoom where women can learn, grow and develop as leaders in technology and beyond.

***LatinX Network***

The mission of the LatinX network is to serve as the hub for Latinx support, inspiration, and engagement focused on empowering each other and their allies with the tools to overcome challenges that prevent their voices from being valued, heard, and represented. The network commits to work together and remove barriers, discrimination, and intolerance so that everyone feels included and supported in a safe place environment.

## **Environmental, Social, and Governance**

We believe legal help should be available to everyone, and take to heart the responsibility that comes with our mission of democratizing law. According to the Center for American Progress, 40-60% of the middle class allow legal needs to go unmet, which contributes to economic and entrepreneurial inequality, especially in under-represented communities. The cost and complexity of legal assistance is daunting for many without the financial means and legal training. As a result, LegalZoom set out to reduce these obstacles and disrupt an industry many believed couldn't be disrupted given the rules and regulations of the legal system. We built a platform of technology and people to demystify and simplify complicated processes, creating user-friendly and cost-effective experiences for our customers while keeping their data and privacy top-of-mind. Fast-forward 20 years, now people can form a business starting at a flat fee of \$79 (plus state-imposed filing fees), a significant cost savings compared to traditional offline legal services. We are committed to continuing to work so that anyone with a dream can protect their business, family and creative work by accessing our small business, estate planning, tax, and intellectual property products.

We believe that we also have a responsibility to serve those who do not have access to legal services because of who they are, who they love, where they live, the color of their skin, or their economic status. While the inherent nature of our business opens up new opportunity for many who may not have had it otherwise, we aim to do more to empower under-represented communities. That is why we partnered with Accion Opportunity Fund (AOF), who provides microloans to small business owners who face hurdles in accessing capital. They focus on people of color, women, and immigrant-owned businesses and, by joining forces with them, we can bring two critical components – access to capital and legal services – to communities that need them the most. By donating funds to their Small Business Relief Fund, LegalZoom has helped provide immediate loan payment relief and loan deferments to small business owners. To-date, 85% of the overall fund recipients are people of color, 67% low to moderate income, and 31% female. We are strategizing on providing in-kind support through product donation to their clients, and we are identifying ways to offer AOF's loan products to our customers.

Aside from helping those with legal matters that tie closely to our business, we also feel a responsibility to contribute to the larger access to justice movement, no matter what type of legal matter it is. That is why we helped fund the first national disaster relief pro bono portal built by Paladin, a justice technology b-corp. The portal is the result of a partnership with the American Bar Association Young Lawyer's Disaster Legal Services Program, the exclusive legal services coordinator for the Federal Emergency Management Agency, or FEMA, and it connects legal nonprofits all over the country with attorneys who raise their hand to provide legal assistance during times of crisis. The COVID-19 crisis and other national disasters have created immediate legal needs for millions of Americans. With many people now having to navigate unlawful evictions, loss of wages and benefits, delays in court proceedings and more, there is an unprecedented need to connect low-income Americans to pro bono attorneys. Since inception, the portal has connected 5,300 Americans with attorneys to pro bono legal support.

Our social impact goes beyond our external partnership efforts and support—it's embedded in our culture and employee experience. Addressing inequities starts internally, which is why we made hires for roles in diversity, equity, and inclusion to help us be the most diverse and inclusive company we can be. We have created new roles to ensure these priorities continue to rise in importance, including senior roles: Head of Social Impact and Director of Diversity Equity & Inclusion. 63% of our C-Suite identify as either female or people of color.

Being a purpose-driven company is crucial to our employee experience, which is why we have dedicated groups, events, initiatives, and programs that help contribute to the greater good. We also support giving back outside of our walls through our employee giving and volunteerism programs. Every full-time employee has two volunteer PTO days, and can apply for a company donation match to organizations they fundraise for. Finally, we are part of the Time to Vote initiative, a nonpartisan movement led by the business community to contribute to the culture shift needed to increase voter participation in our country's elections. We have made the

presidential Election Day a company holiday to ensure that every employee can participate in the democratic process and make time to vote.

Aside from our social initiatives, we also find environmental issues to be important. LegalZoom is committed to clean, renewable energy. In our Austin, Texas office, we have installed a 260 kW solar electric system. This produces 345,800 kWh of energy per year. The environmental impact amounts to an annual reduction of 450,000 pounds, or 224 tons of carbon dioxide emissions, an environmental benefit equivalent to planting 8,000 carbon-sequestering trees.

Data security and privacy is also important to our operations. Ensuring that we meet or exceed expectations with respect to maintaining the confidentiality of the information in our possession is embedded throughout our operations. Our customers and employees trust us with their most sensitive information, including business plans, intellectual property, tax information, and the intimate details of their personal documents (e.g. wills). To ensure the security of this data, we have implemented security practices that maintain physical, technical and administrative safeguards. We also conduct regular risk assessments to evaluate the effectiveness of our program to ensure that we are continuing to expand and adapt to a changing threat landscape.

We are equally committed to protecting our customers' privacy. As part of this commitment, we have adopted data stewardship principles that inform our partnerships with third parties and other data sharing arrangements. These principles, which are based on principles of transparency and consent, align with our commitment to never sell our customers' data. We conduct robust privacy reviews of our vendors for new or modified internal processes. Finally, despite the invalidation of Privacy Shield, we have opted to continue to participate in third-party audits of our privacy practices to help supplement our internal privacy program activities.

### **Intellectual Property**

We believe that our proprietary technology is an important and valuable part of our business. We protect this proprietary technology by relying on a variety of intellectual property mechanisms including copyright and trademark laws, restrictions on disclosure and other methods. We frequently file applications for trademarks and service marks in order to protect our intellectual property. At March 31, 2021, we had 17 trademark registrations and 17 pending trademark applications in the United States. We also had over 30 trademark registrations in 13 foreign jurisdictions or under international or European Union and European Community registrations. We have no issued patents. We also license intellectual property from third parties, such as software used to support our technology and operations.

In addition, we seek to protect our intellectual property rights by requiring our employees and independent contractors to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

### **Government Regulation**

We operate in a particularly complex legal and regulatory environment. We are subject to a variety of U.S., U.K. and other foreign laws, rules and regulations, including those related to internet activities, UPL, the corporate practice of law, or CPL, privacy, data protection, cybersecurity, data retention, consumer protection, content regulation, automatically renewing subscriptions, the processing of legal documents, legal plans, human resource services, employment and labor laws, workplace safety, intellectual property and the provision of online payment services, including credit card processing, anti-bribery and anti-corruption laws, federal securities laws, tax regulations and other matters, which are continuously evolving and developing. We own and operate an alternative business structure, or ABS, in the United Kingdom to provide legal services to U.K. and U.S. based

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consumers. The ABS employs solicitors licensed in the United Kingdom as well as attorneys licensed in the United States to provide limited scope legal services to consumers who purchase such services on our websites. The ABS is regulated by the Solicitors Regulation Authority. While we believe this structure is legally permissible, it is generally untested in U.S. courts and we cannot assure you that it will insulate us from claims of CPL or UPL. These laws and regulations are regularly evolving and tested in courts, and may be interpreted, applied, created, or amended, in a manner that could harm our business.

Our business model includes the provision of services that represent an alternative to traditional legal services, which has subjected us to allegations of UPL in the United States. UPL generally refers to an entity or person giving or offering legal advice who is not licensed to practice law. However, laws and regulations defining UPL, and the governing bodies that enforce UPL rules, differ among the various jurisdictions in which we operate. While several states are implementing exploratory programs to allow non-lawyers to own law firms under strict ethical parameters, we are currently unable to acquire a license to practice law in the United States, or employ licensed attorneys to provide legal advice to our customers, because we do not meet the regulatory requirement of being exclusively owned by licensed attorneys. Our business model is also subject to laws and regulations that govern business transactions between attorneys and persons who are not licensed attorneys, including those related to the ethics of attorney fee-splitting and CPL.

We are subject to certain regulations relating to the processing of legal documents, which vary among the jurisdictions in which we conduct business. Regulation of our legal plans also varies considerably among the insurance departments, bar associations and attorneys general of the particular states in which we offer our legal plans. In addition, some states may seek to regulate our legal plans as insurance or specialized legal service products.

### **Property and Facilities**

Our corporate and executive headquarters are located in Glendale, California, where we lease and occupy approximately 56,000 square feet. The term of our lease expires in 2022, and we have two options to extend the term of this lease for five years each. Our operational headquarters are located in Austin, Texas, where we own and occupy approximately 206,000 square feet. We maintain additional facilities in multiple locations in the United States and United Kingdom.

We may lease or purchase additional space as needed to accommodate our needs and that any additional space will be available to us on commercially reasonable terms for the foreseeable future.

### **Legal Proceedings**

We are a party to various currently pending legal proceedings and government inquiries, and we anticipate that legal proceedings, government investigations, government inquiries or claims could be brought against us in the future. For more information on our pending legal proceedings and governmental inquiries, see Note 13 to our consolidated financial statements included elsewhere in this prospectus. We are not currently a party to any such legal actions that we believe to be likely to have a material impact on our business, financial condition, results of operations or cash flows. However, management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop.

## MANAGEMENT

### Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of April 30, 2021:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<b>Executive Officers</b>		
Dan Wernikoff	49	Chief Executive Officer and Director
Nicole Miller	37	General Counsel
Rich Preece	45	Chief Operating Officer and Chief Product Officer
Shrisha Radhakrishna	43	Chief Technology Officer
Noel Watson	46	Chief Financial Officer
<b>Key Employees</b>		
John Buchanan	46	Chief Marketing Officer
Sheily Chhabria Panchal	37	Chief People Officer
Kathy Tsitovich	47	Chief Partnership Officer
<b>Non-Employee Directors</b>		
Jeffrey Stibel	47	Chairman
Dipanjan "DJ" Deb	51	Director
Khai Ha	38	Director
Dipan Patel	38	Director
Brian Ruder	48	Director
Rob Singer	50	Director
Christine Wang	34	Director
David Yuan	46	Director

- (1) Member of the audit committee upon the completion of this offering.
- (2) Member of the compensation committee upon the completion of this offering.
- (3) Member of the nominating and corporate governance committee upon the completion of this offering.

### Executive Officers

*Dan Wernikoff* has served as our Chief Executive Officer and a member of our Board of Directors since October 2019. From March 2019 to August 2019, Mr. Wernikoff served as a Venture Partner at TCV, a venture capital firm. From 2003 to October 2018, Mr. Wernikoff held various general manager roles at Intuit Inc., most recently serving as been Executive Vice President and General Manager of Intuit's Consumer Tax Group from May 2016 to May 2018. Before that role he was the GM of the Small Business Group from May 2014 to May 2016. He also served as the GM of QuickBooks from August 2010 to May 2014. Prior to his various general manager roles, Mr. Wernikoff held various product and marketing leadership positions while at Intuit. Mr. Wernikoff holds a B.S. in Finance from Miami University, and an M.B.A. from the Katz Graduate School of Business at the University of Pittsburgh. We believe that Mr. Wernikoff's extensive knowledge of our company as Chief Executive Officer, his management background and experience in online technology industry qualifies him to serve on our board of directors.

*Nicole Miller* has served as our General Counsel since June 2020. From July 2014 to June 2020, Ms. Miller held various roles at The Honest Company, most recently serving as General Counsel. Prior to The Honest Company, Ms. Miller practiced corporate law at the law offices of Cooley LLP and Gibson Dunn & Crutcher LLP. Ms. Miller was a Senate Fellow in the California State Senate from October 2005 to September 2006. Ms. Miller holds a B.A. in humanities from Stanford University and a J.D. from the University of Texas School of Law.

*Rich Preece* has served as our Chief Operating Officer and Chief Product Officer since December 2019. From 2002 to December 2019, Mr. Preece held various roles at Intuit, most recently serving as Senior Vice President and Head of Customer Success for the Small Business and Self-employed group from August 2019 to December 2019. Prior roles include Vice President and Global Accountant Segment Leader, and Vice President and Managing Director, Europe, Middle East, and Africa (EMEA). Mr. Preece holds a B.S. in Marketing from Bournemouth University.

*Shrisha Radhakrishna* has served as our Chief Technology Officer since August 2020. From April 2009 to August 2020, Mr. Radhakrishna held various roles at Intuit, most recently serving as Vice President of Product Development from August 2016 to August 2020. Prior to Intuit, Mr. Radhakrishna served as Director of Engineering at BooRah, Inc. Mr. Radhakrishna holds a Bachelor of Engineering degree in Information Science from Bangalore University and an M.B.A. from the Kellogg School of Management at Northwestern University.

*Noel Watson* has served as our Chief Financial Officer since November 2020. From June 2019 to November 2020, Mr. Watson served as Chief Financial Officer at TrueCar, Inc. From April 2006 to June 2019, Mr. Watson served in various roles at TripAdvisor, Inc., including as Vice President Finance and Chief Accounting Officer. Since July 2020, Mr. Watson has served on Zynga's Board of Directors. Mr. Watson holds a B.S. in accounting from Bryant University.

Each officer serves at the discretion of our board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal.

### **Key Employees**

*John Buchanan* has served as our Chief Marketing Officer since August 2020. From May 2019 to September 2020, Mr. Buchanan served as Senior Vice President of Marketing Strategy and Sciences for the National Football League. From February 2018 to May 2019, Mr. Buchanan served as Global Vice President, Head of Marketing and Digital Media at Adobe Inc. From January 2015 to February 2018, Mr. Buchanan served as Vice President, Global Brand Management at Electronic Arts Inc. Mr. Buchanan holds a B.S. in political science and a B.S. in international relations from the University of Southern California.

*Sheily Chhabria Panchal* has served as our Chief People Officer since April 2021. From October 2019 to April 2021, Ms. Panchal served as Vice President of Global Human Resources at Activision Blizzard. Prior to that, she served as Executive Vice President of People Operations for ServiceTitan, Inc. from January 2017 to May 2019. From August 2006 to February 2016, Ms. Panchal held various leadership positions at Google, Inc., most recently serving as Director of Global Trust and Safety Operations. Ms. Panchal holds a B.S. in Business Administration and Management from the University of Southern California.

*Kathy Tsitovich* has served as our Chief Partnership Officer since August 2020. From September 1999 to August 2020, Ms. Tsitovich held various roles at Intuit, most recently serving as Vice President, Consumer Group from March 2020 to August 2020. Prior to that, she held multiple leadership roles including Vice President, Business Development & Partnerships, Director New Business Development and Director of the Small Business Group. Ms. Tsitovich holds a B.S. in Business Administration and Finance from the University of Missouri.

### **Non-Employee Directors**

*Jeffrey Stibel* has served as a member of our board of directors since October 2014 and Chairman since October 2018. Mr. Stibel has been a partner of Bryant Stibel & Company, an investment and strategic advisory platform since January 2013. Mr. Stibel also serves as a member of the board of directors of a number of privately held companies and non-profit entities. He is also a USA Today columnist and author of *The New York Times* bestseller *Breakpoint* (Macmillan: 2013) and *Wired for Thought* (Harvard Business Press: 2009). Mr. Stibel served as the President, Chief Executive Officer and Chairman of the Dun & Bradstreet Credibility Corporation from July 2010 to July 2015, and as Vice Chairman of Dun & Bradstreet Corporation (NYSE) from July 2015 to March 2018. Prior to that, Mr. Stibel was President and Chief Executive Officer of Web.com, Inc. (Nasdaq). From December 2006 to January 2019, Mr. Stibel served as a member of the board of directors of AutoWeb, Inc. (Nasdaq). He holds a bachelor's degree in psychology, philosophy, and

cognitive science from Tufts University and a master's degree in cognitive science from Brown University, where he was the recipient of a Brain and Behavior Fellowship while studying for a Ph.D. Mr. Stibel also received an honorary doctorate of business from Pepperdine University. We believe that Mr. Stibel's experience as an executive officer of various online technology companies combined with his experience serving on the boards of directors of multiple public companies qualifies him to serve on our board of directors.

*Dipanjani (DJ) Deb* has served as a member of our board of directors from August 2018 through September 2019, and from February 2020 to date. Mr. Deb is a co-founder and Chief Executive Officer of Francisco Partners Management, L.P., or Francisco Partners, and has served at Francisco Partners since September 2005. Mr. Deb has also served as a Partner of Francisco Partners since its founding in August 1999. Prior to founding Francisco Partners, Mr. Deb was a principal at TPG Capital, a private equity firm, a Director of Semiconductor Banking at Robertson, Stephens & Company and a management consultant at McKinsey & Company. Mr. Deb serves on the board of directors of GoodRx Holdings, Inc. which is a public company and has served on the board of directors of other public companies including most recently Ichor Systems, Inc. from February 2012 to May 2018, and currently also serves on the board of directors of several private companies. Mr. Deb holds a B.S. in Electrical Engineering and Computer Science from the University of California, Berkeley and an M.B.A. from the Stanford Graduate School of Business. We believe that Mr. Deb's private equity expertise combined with his experience serving on the boards of directors of both publicly and privately held companies qualifies him to serve on our board of directors.

*Khari Ha* has served as a member of our board of directors since July 2018. Mr. Ha is a managing partner and investment committee member of GPI Capital L.P., co-founding the firm in May 2016. Before joining GPI Capital L.P., he was a managing director at BTG Pactual Global Partnership Investing, the predecessor fund. Prior to that, Mr. Ha served as a portfolio manager at Ontario Teachers' Pension Plan and worked at investment firms Moore Capital Management LP and Epic Capital Management Inc. He started his career in mergers and acquisitions and investment banking at Merrill Lynch, Pierce, Fenner & Smith Incorporated and BMO Nesbitt Burns Inc. Mr. Ha has also served on the board of directors of a number of privately held companies. Mr. Ha holds a bachelor of commerce, finance, and economics degree from the University of Toronto and is a chartered financial analyst. We believe that Mr. Ha's financial and investment management expertise qualifies him to serve on our board of directors.

*Dipankar Patel* has served as a member of our board of directors since April 2014. Mr. Patel serves as a partner at Permira, a leading global private equity firm, and has been with the firm since October 2009. He is Head of Global Consumer and serves on the Investment Committee and Executive Committee. Prior to that, Mr. Patel worked for The Gores Group LLC and Lehman Brothers Holdings Inc. Mr. Patel also serves on the board of directors of The Knot Worldwide, Boats Group, Axiom and Catawiki. Mr. Patel holds a B.A. in economics from the University of Cambridge. We believe that Mr. Patel's experience with and knowledge of technology and media companies and his private equity background qualifies him to serve on our board of directors.

*Brian Ruder* has served as a member of our board of directors since April 2014. Mr. Ruder has served as a partner at Permira since November 2008 and co-heads Permira's Technology investing sector, sits on the firm's Executive Committee, and is co-chair of the Permira Investment Committee. Prior to Permira, Mr. Ruder was a partner at Francisco Partners and previously he worked at Hellman & Friedman and Morgan Stanley. Mr. Ruder holds a B.A. in philosophy with mathematics from Harvard College and an M.B.A. from Harvard Business School. We believe that Mr. Ruder's financial and investment expertise along with his knowledge of the technology industry qualifies him to serve on our board of directors.

*Rob Singer* has served as a member of our board of directors since April 2014. Mr. Singer has served as the Chief Marketing Officer at Remitly, Inc., an online payment service company, since October 2018. Prior to that, Mr. Singer served as the Chief Marketing Officer of Habit, LLC from July 2017 to October 2018, as Chief Marketing Officer of Smule, Inc. from July 2016 to July 2017, and as Chief Marketing Officer of Ancestry.com, Inc. from November 2010 to July 2016. He previously held senior-level marketing and analytics roles at Bank of the West, StubHub, an eBay Company, Yates Advertising, YellowBrick Solutions, Charles Schwab & Co., Inc.,

and KnowledgeBase Marketing, Inc., now KBM Group. Mr. Singer holds a B.S. degree in mathematics from James Madison University. We believe that Mr. Singer's extensive expertise in marketing and business and leadership experience at technology companies qualifies him to serve on our board of directors.

*Christine Wang* has served as a member of our board of directors since September 2019. Ms. Wang serves as a principal at Francisco Partners and has been with Francisco Partners since August 2015. Prior to joining Francisco Partners, Ms. Wang was an associate at Advent International where she evaluated investments in the business services, financial services, and technology sectors. Earlier in her career, she was an investment banker in the Financial Institutions Group at J.P. Morgan. Ms. Wang also serves on the board of directors of a number of privately held technology companies. Ms. Wang holds a B.A. in economics and East Asian languages and cultures from Columbia University and an M.B.A. from the Stanford Graduate School of Business. We believe that Ms. Wang's private equity expertise combined with her experience serving on the boards of directors of privately held companies qualifies her to serve on our board of directors.

*David Yuan* has served as a member of our board of directors since October 2018. Mr. Yuan is a Senior Advisor at Technology Crossover Ventures, or TCV, which he joined in 2005. Mr. Yuan serves on the Board of Directors, or as a Board observer, of multiple other companies within the technology and the financial technology space, including Avetta, Klook, SiteMinder, Toast and Wealthsimple. Prior to joining TCV, Mr. Yuan served as a private equity investor at JPMorgan Partners from 2000 through 2003, director of Business Development at 1stUp.com (acquired by CMGi) from 1999 through 2000, and as a management consultant with Bain and Company from 1997 through 1999. Mr. Yuan holds a bachelor's degree in economics from Harvard College and a Master of Business Administration degree from the Stanford Graduate School of Business. We believe that Mr. Yuan is qualified to serve on our board of directors based on his broad professional experience within the technology and FinTech industries and services as a director or board observer to other technology companies.

### **Family Relationships**

There are no family relationships among our directors and executive officers.

### **Board Composition**

Our board of directors currently consists of nine members with no vacancies. All of our directors currently serve on the board of directors pursuant to the provisions of a voting agreement between us and several of our stockholders. The voting agreement will terminate upon the completion of this offering, after which there will be no further contractual obligations regarding the election or designation of our directors. In accordance with our amended and restated certificate of incorporation, which will be effective immediately after the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- The Class I directors will be \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2022;
- The Class II directors will be \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2023; and
- The Class III directors will be \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2024.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.



### ***Director independence***

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that all of our directors except Dan Wernikoff and \_\_\_\_\_, representing \_\_\_\_\_ of our nine directors, do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the applicable rules and regulations of the U.S. Securities and Exchange Commission, or the SEC, and the listing requirements of The Nasdaq Stock Market LLC. Our board of directors has determined that Dan Wernikoff, by virtue of his position as our Chief Executive Officer, as well as \_\_\_\_\_, are not independent under applicable rules and regulations of the SEC and The Nasdaq Stock Market LLC. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our shares by each non-employee director.

### **Lead Independent Director**

Our board of directors is currently chaired by Jeffrey Stibel. Our corporate governance guidelines provide that, if the chairperson of the board is a member of management or does not otherwise qualify as independent, the independent directors of the board may or may not elect a lead independent director. Our board of directors has appointed \_\_\_\_\_ as our lead independent director, effective upon completion of this offering. The lead independent director’s responsibilities include, but are not limited to: presiding over all meetings of the board of directors at which the chairperson is not present, including any executive sessions of the independent directors; acting as the liaison between the independent directors and the chief executive officer and chairperson of the board of directors; and such additional duties as our board of directors may otherwise delegate. Our corporate governance guidelines further provide the flexibility for our board of directors to modify our leadership structure in the future, as it deems appropriate.

### **Board Committees**

Our board of directors established a compensation committee and will establish an audit committee and a nominating and corporate governance committee prior to the completion of this offering. Our board of directors may establish other committees to facilitate the management of our business. The composition and functions of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Each committee has adopted a written charter that satisfies the applicable rules and regulations of the SEC and The Nasdaq Stock Market LLC, which we will post on our corporate website upon completion of this offering.

#### ***Audit committee***

Our audit committee consists of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. Our board of directors has determined that \_\_\_\_\_ satisfies the independence requirements under The Nasdaq Stock Market LLC listing standards and Rule 10A-3(b)(1) of the Exchange Act. The chair of our audit committee is \_\_\_\_\_, who our board of directors has determined is an “audit committee financial expert” within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with applicable requirements. In arriving at these determinations, our board of directors has examined each audit committee member’s scope of experience and the nature of their employment in the corporate finance sector. The principal duties and responsibilities of our audit committee include, among other things:

- selecting a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;

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- helping to ensure the independence and performance of the independent registered public accounting firm;
- helping to maintain and foster an open avenue of communication between management and the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent registered public accounting firm, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing our policies on risk assessment and risk management;
- reviewing related party transactions;
- obtaining and reviewing a report by the independent registered public accounting firm at least annually, that describes its internal quality-control procedures, any material issues with such procedures, and any steps taken to deal with such issues when required by applicable law; and
- approving (or, as permitted, pre-approving) all audit and all permissible non-audit services to be performed by the independent registered public accounting firm.

Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of The Nasdaq Stock Market LLC.

### ***Compensation committee***

Our compensation committee consists of \_\_\_\_\_, and \_\_\_\_\_. The chair of our compensation committee is \_\_\_\_\_. Our board of directors has determined that each of \_\_\_\_\_, and \_\_\_\_\_ is independent under The Nasdaq Stock Market LLC listing standards and a “non-employee director” as defined in Rule 16b-3 promulgated under the Exchange Act.

The principal duties and responsibilities of our compensation committee is include, among other things:

- approving the retention of compensation consultants and outside service providers and advisors;
- reviewing and approving, or recommending that our board of directors approve, the compensation, individual and corporate performance goals and objectives and other terms of employment of our executive officers, including evaluating the performance of our chief executive officer and, with his assistance, that of our other executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- administering our equity and non-equity incentive plans;
- reviewing our practices and policies of employee compensation as they relate to risk management and risk-taking incentives;
- reviewing and evaluating succession plans for the executive officers;
- reviewing and approving, or recommending that our board of directors approve, incentive compensation and equity plans; and
- reviewing and establishing general policies relating to compensation and benefits of our employees and reviewing our overall compensation philosophy.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of The Nasdaq Stock Market LLC.

### ***Nominating and corporate governance committee***

Our nominating and corporate governance committee will consist of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. The chair of our nominating and corporate governance committee will be \_\_\_\_\_. Our board of directors has determined that each member of the nominating and corporate governance committee is independent under The Nasdaq Stock Market LLC listing standards.

The nominating and corporate governance committee's responsibilities include, among other things:

- identifying, evaluating, and selecting, or recommending that our board of directors approve, nominees for election to our board of directors and its committees;
- approving the retention of director search firms;
- evaluating the performance of our board of directors and of individual directors;
- considering and making recommendations to our board of directors regarding the composition of our board of directors and its committees;
- evaluating the adequacy of our corporate governance practices and reporting; and
- overseeing an annual evaluation of the board's performance.

Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of The Nasdaq Stock Market LLC.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the compensation committee is currently, or has been at any time, one of our executive officers or employees. None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or on our compensation committee.

### **Code of Business Conduct and Ethics**

In connection with this offering, we intend to adopt a Code of Conduct that applies to all our employees, officers and directors. This includes our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. The full text of our Code of Conduct will be posted on our corporate website upon completion of this offering. We intend to disclose on our website any future amendments of our Code of Conduct or waivers that exempt any principal executive officer, principal financial officer, principal accounting officer or controller, persons performing similar functions or our directors from provisions in the Code of Conduct. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

### **Limitations of Liability and Indemnification Matters**

Our amended and restated certificate of incorporation, which will become effective immediately after the completion of this offering, and our amended and restated bylaws, which will become effective immediately prior to completion of this offering, limits our directors' liability, and may indemnify our directors and officers to the fullest extent permitted under Delaware General Corporation Law, or the DGCL. The DGCL provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

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- unlawful payment of dividends or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

Such limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation that will be in effect immediately prior to the completion of this offering will authorize us to indemnify our directors, officers, employees and other agents to the fullest extent permitted by the DGCL. Our amended and restated bylaws that will be in effect immediately prior to the completion of this offering will provide that we are required to indemnify our directors and officers to the fullest extent permitted by the DGCL and may indemnify our other employees and agents. Our amended and restated bylaws that will be in effect immediately prior to the completion of this offering will also provide that, on satisfaction of certain conditions, we will advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of the DGCL. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With certain exceptions, these agreements provide for indemnification for related expenses including attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe these provisions in our amended and restated certificate of incorporation and amended and restated bylaws and these indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain customary directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for directors, executive officers or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## EXECUTIVE AND DIRECTOR COMPENSATION

Our named executive officers for 2020, which consist of our principal executive officer and the two other most highly compensated executive officers, are:

- Dan Wernikoff, Chief Executive Officer and Director;
- Shrisha Radhakrishna, Chief Technology Officer; and
- Noel Watson, Chief Financial Officer and Treasurer.

The following tables and narrative address and explain the compensation provided to our named executive officers in 2020.

### Summary Compensation Table

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards \$(2)	Option Awards \$(3)	Total (\$)
Dan Wernikoff <i>Chief Executive Officer and Director</i>	2020	800,000	250,000(4)	—	3,401,916	4,451,916
Shrisha Radhakrishna(5) <i>Chief Technology Officer</i>	2020	136,923	93,000(4)	4,000,000	—	4,222,923
Noel Watson(6) <i>Chief Financial Officer</i>	2020	57,115	300,000(7)	5,000,000	—	5,357,115

- (1) Salary amounts represent actual amounts earned during 2020. See the section titled “—Narrative to the Summary Compensation Table—Annual base salary” below.
- (2) Amounts reported represent the aggregate grant-date fair value of awards granted to our named executive officers during 2020 under our 2016 Plan, computed in accordance with FASB ASC Topic 718 *Compensation—Stock Compensation*, or ASC 718, without consideration to the probability of achieving the performance condition. The assumptions used in calculating the grant-date fair value of the stock-based awards reported in this column are set forth in the notes to our consolidated financial statements included elsewhere in this prospectus. This amount does not reflect the actual economic value that may be realized by the named executive officer. The RSU awards are eligible to vest as described in the table below titled “2020 Outstanding Equity Awards at Year-End.”
- (3) For Mr. Wernikoff, the amount reported represents the incremental fair value attributable to the repricing of stock options during 2020, computed as of the repricing date in accordance with ASC 718. For Mr. Radhakrishna and Mr. Watson, the amounts reported represent the aggregate grant-date fair value of the stock options granted to them during 2020 under our 2016 Plan, computed in accordance with ASC 718. Such stock options are subject to performance conditions and their grant-date fair value is based on the probable outcome of the performance conditions. The maximum grant-date fair value of the performance-based stock options granted to Mr. Radhakrishna and Mr. Watson during 2020 was \$1.4 million and \$1.3 million, respectively, which assumes the achievement of the highest level of the performance conditions. The assumptions used in calculating the grant-date fair value of the stock options reported in this column are set forth in the notes to our consolidated financial statements included elsewhere in this prospectus. This amount does not reflect the actual economic value that may be realized by the named executive officer.
- (4) Bonus amounts represent actual amounts earned during 2020, but paid in 2021. See the section titled “—Narrative to the Summary Compensation Table—Annual discretionary bonus plan” below.
- (5) Mr. Radhakrishna commenced his employment in August 2020.
- (6) Mr. Watson commenced his employment in November 2020.
- (7) Mr. Watson received a \$300,000 signing bonus in 2020 in connection with the commencement of his employment.

### Narrative to the Summary Compensation Table

Our board of directors reviews compensation annually for our named executive officers. In setting executive base salaries and bonuses and granting equity incentive awards, we consider compensation for comparable positions in the market, the historical compensation levels of our executives, individual performance as compared to our expectations and objectives, our desire to motivate our employees to achieve short- and long-term results that are in the best interests of our stockholders, and a long-term commitment to our company.

Our board of directors has historically determined our executive officers’ compensation and has typically reviewed and discussed management’s proposed compensation with our chief executive officer for all executives

other than our chief executive officer. Based on those discussions and its discretion, our full board of directors then reviews the compensation of each executive officer. Upon the completion of this offering, the compensation committee will determine our executive officers' compensation and follow this process, but the compensation committee itself, rather than our board of directors, will approve the compensation of each executive officer.

***Annual base salary***

Base salaries for our executive officers are initially established through arm's-length negotiations at the time of the executive officer's hiring, taking into account such executive officer's qualifications, experience, the scope of his or her responsibilities and competitive market compensation paid by other companies for similar positions within the industry and geography. Base salaries are reviewed annually, typically in connection with our annual performance review process, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. In making decisions regarding salary increases, we may also draw upon the experience of members of our board of directors with executives at other companies. The 2020 base salary for each of our named executive officers is as follows:

<u>Name</u>	<u>Base Salary</u>
Dan Wernikoff	\$ 800,000
Shrisha Radhakrishna	\$ 400,000
Noel Watson	\$ 450,000

***Annual discretionary bonus plan***

From time to time, our board of directors or compensation committee may approve discretionary annual bonuses for our named executive officers based on individual performance, company performance or as otherwise determined appropriate. Our board of directors awarded discretionary annual cash bonuses to Mr. Wernikoff and Mr. Radhakrishna in 2020, based on the achievement of performance objectives determined by our board of directors. Mr. Radhakrishna's bonus was prorated based on his months of service in 2020. Mr. Watson was not eligible to receive a discretionary annual bonus in 2020.

***Equity-based incentive awards***

Our equity-based incentive awards are designed to align our interests and those of our stockholders with those of our employees, directors and consultants, including our named executive officers. At December 31, 2020, stock option awards and RSU awards were the only forms of equity awards we granted to our named executive officers.

We have historically used stock options as an incentive for long-term compensation to our named executive officers because they are able to profit from stock options only if our stock price increases relative to the stock option's exercise price, which exercise price is set at the fair market value of our common stock on the date of grant. However, more recently, we have used a combination of RSU awards and performance-based options to diversify the equity compensation we use to incentivize and deliver value to our named executive officers. We may grant equity awards at such times as our board of directors determines appropriate.

Prior to this offering, all of the equity awards we have granted were made pursuant to our 2016 Stock Incentive Plan, or 2016 Plan. Equity awards are currently outstanding under only our 2016 Plan. Following this offering, we will grant equity incentive awards under the terms of our 2021 Equity Incentive Plan, or 2021 Plan. The terms of our 2021 Plan and our equity plans governing outstanding equity awards are described below under "— Equity Incentive Plans."

All options are granted with an exercise price per share that is no less than the fair market value of our common stock on the date of grant of such award. In September 2020, our board of directors approved a stock

option repricing in which the strike price of certain stock options was modified to the strike price equal to the then-current per-share fair market value. Mr. Wernikoff participated in the repricing. Our stock option awards and RSU awards generally vest over a four-year period, and may be subject to acceleration of vesting and exercisability under certain termination and change in control events. We also have granted RSU awards and stock options that vest in accordance with performance conditions. See the section titled “—2020 Outstanding Equity Awards at Year-End” below for additional information.

**Employee benefits and perquisites**

We have generally not offered special benefits to our named executive officers. Further details on these benefits are described in footnotes to the “—Summary Compensation Table.” We also provide 401(k) matching contributions as discussed in the “—Health and Welfare and Retirement Benefits—401(k) Plan” section below. Our named executive officers are eligible to participate in the 401(k) plan on the same basis as our other employees, but none of our named executive officers had matching contributions in 2020.

**2020 Outstanding Equity Awards at Year-End**

The following table provides information regarding the outstanding equity awards held by our named executive officers as of December 31, 2020. All awards were granted pursuant to the 2016 Plan. See the section titled “—Equity Incentive Plans—2016 Stock Incentive Plan” below for additional information.

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)(2)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(7)
Dan Wernikoff	9/19/2019(1)	906,984	2,720,952(3)	9.82	9/19/2029	—	—
	9/19/2019(1)	—	3,627,936(4)	9.82	9/19/2029	—	—
Shrisha Radhakrishna	9/23/2020	—	763,747(5)	9.82	9/23/2030	—	—
	—	—	—	—	—	407,332(6)	4,684,318
Noel Watson	11/18/2020	—	763,747(5)	9.82	11/18/2030	—	—
	—	—	—	—	—	509,165(6)	5,855,398

- (1) On September 23, 2020, this option award was repriced and the strike price was modified to the strike price consummate with the then-current per-share fair market value.
- (2) All of the option awards were granted with a per share exercise price equal to the fair market value of one share of our common stock on the date of grant, or date of modification, as determined in good faith by our board of directors or compensation committee.
- (3) 25% of the total shares of common stock underlying this option vested on October 1, 2020, and then the remaining 75% will vest in equal quarterly installments over the three years following October 1, 2020, subject to continued service through each applicable vesting date. Immediately prior to, but contingent on, a “change in control”, the option will vest with respect to 50% of the then unvested shares subject to the option. In addition, if we terminate Mr. Wernikoff’s employment without “cause” or Mr. Wernikoff resigns for “good reason,” then, if Mr. Wernikoff timely executes and does not revoke a general release of claims against us and our affiliates, Mr. Wernikoff will be eligible to receive 12 months accelerated vesting of the option, except, if the termination occurs within 24 months following a “change in control,” then the option will vest in full.
- (4) Subject to optionee’s continuous service as of the vesting date, the total shares of common stock underlying this option vest immediately prior to, but conditioned on the closing of, a “liquidity event” on an interpolated linear basis starting at 0% of the option vesting in the event of a per share common stock valuation at the time of the “liquidity event” equal to \$19.64, and ending at 100% of the option vesting in the event of a per share common stock valuation at the time of the “liquidity event” equal to or greater than \$29.46. The vesting thresholds are subject to adjustment in the event of dividends, distributions, or subsequent investments.
- (5) Subject to optionee’s continuous service as of the vesting date, award vests immediately prior to, but conditioned on, a “liquidity event”, on an interpolated linear basis starting at 0% at a per share common stock valuation equal to \$19.64 per share and ending at 100% of the options vested at a per share common stock valuation equal to or greater than \$29.46 per share (i.e., the valuation implied by the transaction in the case of a “change in control”, and the underwriters’ price in the case of a “Public Trading Date.” The vesting thresholds are subject to adjustment in the event of dividends, distributions, or subsequent investments.

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- (6) The restricted stock units will vest only if both a service-based condition and a liquidity event condition are satisfied prior to the expiration date. The service-based condition will be satisfied as follows: 25% of the award meeting the service-based requirement on the first anniversary of the vesting commencement date, and the remainder of the award meeting the service-based requirement in 12 equal quarterly installments thereafter, subject to continuous service as of the vesting date. In the event that the named executive officer's employment is terminated without "cause" or the named executive officer resigns for "good reason," then 100% of the restricted stock units will be deemed to have met the service-based requirement. In the case of Mr. Watson only, in the event of a "liquidity event," 25% of the restricted stock units will vest. The liquidity event requirement will be satisfied as of the occurrence of a liquidity event.
- (7) This amount reflects the fair market value of our common stock of \$11.50 per share as of December 31, 2020 as determined by our compensation committee.

### **Executive Employment Agreements**

Each of our named executive officers has executed our standard form of confidential information and employee invention assignment agreement.

#### ***Agreement with Dan Wernikoff***

Prior to the completion of this offering, we may enter into an amended and restated employment agreement with Dan Wernikoff, our Chief Executive Officer. The amended and restated employment agreement will have no specific term and will provide that Mr. Wernikoff is an at-will employee. Mr. Wernikoff's current annual base salary is \$800,000.

#### ***Agreement with Shrisha Radhakrishna***

Prior to the completion of this offering, we may enter into an amended and restated employment agreement with Shrisha Radhakrishna, our Chief Technology Officer. The amended and restated employment agreement will have no specific term and will provide that Mr. Radhakrishna is an at-will employee. Mr. Radhakrishna's current annual base salary is \$400,000, and Mr. Radhakrishna is eligible for a discretionary target annual bonus opportunity equal to 50% of annual base salary, based on the achievement of performance objectives determined by our board of directors (or its compensation committee).

#### ***Agreement with Noel Watson***

Prior to the completion of this offering, we may enter into an amended and restated employment agreement with Noel Watson, our Chief Financial Officer. The amended and restated employment agreement will have no specific term and will provide that Mr. Watson is an at-will employee. Mr. Watson's current annual base salary is \$450,000, and Mr. Watson is eligible for a discretionary target annual bonus opportunity equal to 50% of annual base salary, based on the achievement of performance objectives determined by our board of directors (or its compensation committee).

### **Potential Payments and Benefits upon Termination or Change in Control**

We expect our named executive officers will be eligible to receive potential termination or change of control payments pursuant to the amended and restated employment agreements that we expect to enter into with our named executive officers prior to the completion of this offering. In addition, our named executive officers are eligible for vesting acceleration benefits with respect to certain of their equity awards as described in "—2020 Outstanding Equity Awards at Year-End."

### **Health and Welfare and Retirement Benefits**

All of our current named executive officers are eligible to participate in our employee benefit plans, including our medical, dental and vision insurance plans, in each case on the same basis as all of our other employees. We generally do not provide perquisites or personal benefits to our named executive officers, except in limited circumstances.



### **401(k) plan**

Our named executive officers are eligible to participate in a defined contribution retirement plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees may elect to defer up to 80% of their eligible compensation into the plan on a pre-tax basis, up to annual limits prescribed by the Code, and we make an employer matching contribution to the plan in the amount equal to 100% of the first 4% of eligible compensation that eligible employees defer each year. In general, eligible compensation for purposes of the 401(k) retirement savings plan includes an employee's wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with us to the extent the amounts are includible in gross income, and subject to certain adjustments and exclusions required under the Code.

### **Equity Incentive Plans**

#### **2021 Equity Incentive Plan**

In \_\_\_\_\_, our board of directors adopted, and our stockholders approved, our 2021 Equity Incentive Plan, or 2021 Plan. We expect our 2021 Plan will become effective on the date of the underwriting agreement related to this offering. Our 2021 Plan came into existence upon its adoption by our board of directors, but no grants will be made under our 2021 Plan prior to its effectiveness. Once our 2021 Plan becomes effective, no further grants will be made under our 2016 Plan.

**Awards.** Our 2021 Plan provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Code, to our employees and our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, RSU awards, performance awards and other forms of awards to our employees, directors and consultants and any of our affiliates' employees and consultants.

**Authorized shares.** Initially, the maximum number of shares of our common stock that may be issued under our 2021 Plan after it becomes effective will not exceed \_\_\_\_\_ shares of our common stock, which is the sum of (i) \_\_\_\_\_ new shares, plus (ii) an additional number of shares not to exceed \_\_\_\_\_ shares, consisting of (a) shares that remain available for the issuance of awards under our 2016 Plan as of immediately prior to the time our 2021 Plan becomes effective and (b) any shares of our common stock subject to outstanding stock options or other stock awards granted under our 2016 Plan that, on or after our 2021 Plan becomes effective, terminate or expire prior to exercise or settlement; are not issued because the award is settled in cash; are forfeited because of the failure to vest; or are reacquired or withheld (or not issued) to satisfy a tax withholding obligation or the purchase or exercise price. In addition, the number of shares of our common stock reserved for issuance under our 2021 Plan will automatically increase on January 1 of each year for a period of ten years, beginning on January 1, 2022 and continuing through January 1, 2031, in an amount equal to (1) \_\_\_\_\_ % of the total number of shares of our common stock outstanding on December 31 of the immediately preceding year, or (2) a lesser number of shares determined by our board of directors no later than December 31 of the immediately preceding year. The maximum number of shares of our common stock that may be issued on the exercise of ISOs under our 2021 Plan is \_\_\_\_\_ shares.

Shares subject to stock awards granted under our 2021 Plan that expire or terminate without being exercised in full or that are paid out in cash rather than in shares will not reduce the number of shares available for issuance under our 2021 Plan. Shares withheld under a stock award to satisfy the exercise, strike or purchase price of a stock award or to satisfy a tax withholding obligation will not reduce the number of shares available for issuance under our 2021 Plan. If any shares of our common stock issued pursuant to a stock award are forfeited back to or repurchased or reacquired by us (i) because of a failure to meet a contingency or condition required for the vesting of such shares; (ii) to satisfy the exercise, strike or purchase price of a stock award; or (iii) to satisfy a tax withholding obligation in connection with a stock award, the shares that are forfeited or repurchased or reacquired will revert to and again become available for issuance under our 2021 Plan.

*Plan administration.* Our board of directors, or a duly authorized committee of our board of directors, administers our 2021 Plan. Our board of directors may delegate to one or more of our officers the authority to (i) designate employees (other than officers) to receive specified stock awards; and (ii) determine the number of shares subject to such stock awards. Under our 2021 Plan, our board of directors has the authority to determine stock award recipients, the types of stock awards to be granted, grant dates, the number of shares subject to each stock award, the fair market value of our common stock, and the provisions of each stock award, including the period of exercisability and the vesting schedule applicable to a stock award.

Under our 2021 Plan, our board of directors also generally has the authority to effect, with the consent of any materially adversely affected participant, (i) the reduction of the exercise, purchase, or strike price of any outstanding option or stock appreciation right; (ii) the cancellation of any outstanding option or stock appreciation right and the grant in substitution therefore of other awards, cash, or other consideration; or (iii) any other action that is treated as a repricing under generally accepted accounting principles.

*Stock options.* ISOs and NSOs are granted under stock option agreements adopted by the administrator. The administrator determines the exercise price for stock options, within the terms and conditions of our 2021 Plan, except the exercise price of a stock option generally will not be less than 100% of the fair market value of our common stock on the date of grant. Options granted under our 2021 Plan will vest at the rate specified in the stock option agreement as determined by the administrator.

The administrator determines the term of stock options granted under our 2021 Plan, up to a maximum of 10 years. Unless the terms of an optionholder's stock option agreement, or other written agreement between us and the optionholder, provide otherwise, if an optionholder's service relationship with us or any of our affiliates ceases for any reason other than disability, death, or cause, the optionholder may generally exercise any vested options for a period of three months following the cessation of service. This period may be extended in the event that exercise of the option is prohibited by applicable securities laws. If an optionholder's service relationship with us or any of our affiliates ceases due to death, or an optionholder dies within a certain period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 18 months following the date of death. If an optionholder's service relationship with us or any of our affiliates ceases due to disability, the optionholder may generally exercise any vested options for a period of 12 months following the cessation of service. In the event of a termination for cause, options generally terminate upon the termination date. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the administrator and may include: (i) cash, check, bank draft or money order; (ii) a broker-assisted cashless exercise; (iii) the tender of shares of our common stock previously owned by the optionholder; (iv) a net exercise of the option if it is an NSO; or (v) other legal consideration approved by the administrator.

Unless the administrator provides otherwise, options or stock appreciation rights generally are not transferable except by will or the laws of descent and distribution. Subject to approval of the administrator or a duly authorized officer, an option may be transferred pursuant to a domestic relations order, official marital settlement agreement, or other divorce or separation instrument.

*Tax limitations on ISOs.* The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an award holder during any calendar year under all of our stock plans may not exceed \$100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our parent or subsidiary corporations unless (i) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant; and (ii) the term of the ISO does not exceed five years from the date of grant.

*Restricted stock unit awards.* Restricted stock unit awards are granted under restricted stock unit award agreements adopted by the administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, or other written agreement between us and the recipient, restricted stock unit awards that have not vested will be forfeited once the participant's continuous service ends for any reason.

*Restricted stock awards.* Restricted stock awards are granted under restricted stock award agreements adopted by the administrator. A restricted stock award may be awarded in consideration for cash, check, bank draft or money order, past or future services to us, or any other form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. The administrator determines the terms and conditions of restricted stock awards, including vesting and forfeiture terms. If a participant's service relationship with us ends for any reason, we may receive any or all of the shares of common stock held by the participant that have not vested as of the date the participant terminates service with us through a forfeiture condition or a repurchase right.

*Stock appreciation rights.* Stock appreciation rights are granted under stock appreciation right agreements adopted by the administrator. The administrator determines the purchase price or strike price for a stock appreciation right, which generally will not be less than 100% of the fair market value of our common stock on the date of grant. A stock appreciation right granted under our 2021 Plan will vest at the rate specified in the stock appreciation right agreement as determined by the administrator. Stock appreciation rights may be settled in cash or shares of our common stock or in any other form of payment as determined by our board of directors and specified in the stock appreciation right agreement.

The administrator determines the term of stock appreciation rights granted under our 2021 Plan, up to a maximum of 10 years. If a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability, or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. This period may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, stock appreciation rights generally terminate upon the termination date. In no event may a stock appreciation right be exercised beyond the expiration of its term.

*Performance awards.* Our 2021 Plan permits the grant of performance awards that may be settled in stock, cash or other property. Performance awards may be structured so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period. Performance awards that are settled in cash or other property are not required to be valued in whole or in part by reference to, or otherwise based on, our common stock.

The performance goals may be based on any measure of performance selected by our board of directors. The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates, or business segments, and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by our board of directors at the time the performance award is granted, our board will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (i) to exclude restructuring or other nonrecurring charges; (ii) to exclude exchange rate effects; (iii) to exclude

the effects of changes to generally accepted accounting principles; (iv) to exclude the effects of any statutory adjustments to corporate tax rates; (v) to exclude the effects of items that are “unusual” in nature or occur “infrequently” as determined under generally accepted accounting principles; (vi) to exclude the dilutive effects of acquisitions or joint ventures; (vii) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (viii) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (ix) to exclude the effects of stock based compensation and the award of bonuses under our bonus plans; (x) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; and (xi) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles.

*Other stock awards.* The administrator may grant other awards based in whole or in part by reference to our common stock. The administrator will set the number of shares under the stock award (or cash equivalent) and all other terms and conditions of such awards.

*Non-employee director compensation limit.* The aggregate value of all compensation granted or paid to any non-employee director with respect to any calendar year, including awards granted and cash fees paid by us to such non-employee director, will not exceed \$ \_\_\_\_\_ in total value, except such amount will increase to \$ \_\_\_\_\_ for the first year for newly appointed or elected non-employee directors.

*Changes to capital structure.* In the event there is a specified type of change in our capital structure, such as a stock split, reverse stock split, or recapitalization, appropriate adjustments will be made to (i) the class and maximum number of shares reserved for issuance under our 2021 Plan, (ii) the class and maximum number of shares by which the share reserve may increase automatically each year, (iii) the class and maximum number of shares that may be issued on the exercise of ISOs, and (iv) the class and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

*Corporate transactions.* In the event of a corporate transaction (as defined in the 2021 Plan), unless otherwise provided in a participant’s stock award agreement or other written agreement with us or one of our affiliates or unless otherwise expressly provided by the administrator at the time of grant, any stock awards outstanding under our 2021 Plan may be assumed, continued or substituted for by any surviving or acquiring corporation (or its parent company), and any reacquisition or repurchase rights held by us with respect to the stock award may be assigned to the successor (or its parent company). If the surviving or acquiring corporation (or its parent company) does not assume, continue or substitute for such stock awards, then (i) with respect to any such stock awards that are held by participants whose continuous service has not terminated prior to the effective time of the corporate transaction, or current participants, the vesting (and exercisability, if applicable) of such stock awards will be accelerated in full (or, in the case of performance awards with multiple vesting levels depending on the level of performance, vesting will accelerate at 100% of the target level) to a date prior to the effective time of the corporate transaction (contingent upon the effectiveness of the corporate transaction), and such stock awards will terminate if not exercised (if applicable) at or prior to the effective time of the corporate transaction, and any reacquisition or repurchase rights held by us with respect to such stock awards will lapse (contingent upon the effectiveness of the corporate transaction); and (ii) any such stock awards that are held by persons other than current participants will terminate if not exercised (if applicable) prior to the effective time of the corporate transaction, except that any reacquisition or repurchase rights held by us with respect to such stock awards will not terminate and may continue to be exercised notwithstanding the corporate transaction.

In the event a stock award will terminate if not exercised prior to the effective time of a corporate transaction, the administrator may provide, in its sole discretion, that the holder of such stock award may not exercise such stock award but instead will receive a payment equal in value to the excess (if any) of (i) the value

of the property the participant would have received upon the exercise of the stock award, over (ii) any per share exercise price payable by such holder, if applicable. In addition, any escrow, holdback, earn out or similar provisions in the definitive agreement for the corporate transaction may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of our common stock.

*Change in control.* Stock awards granted under our 2021 Plan may be subject to acceleration of vesting and exercisability upon or after a change in control (as defined in the 2021 Plan) as may be provided in the applicable stock award agreement or in any other written agreement between us or any affiliate and the participant, but in the absence of such provision, no such acceleration will automatically occur.

*Plan amendment or termination.* Our board of directors has the authority to amend, suspend, or terminate our 2021 Plan at any time, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. Certain material amendments also require the approval of our stockholders. No ISOs may be granted after the tenth anniversary of the date our board of directors adopted our 2021 Plan. No stock awards may be granted under our 2021 Plan while it is suspended or after it is terminated.

### **2021 Employee Stock Purchase Plan**

In \_\_\_\_\_, our board of directors adopted, and our stockholders approved, our 2021 Employee Stock Purchase Plan, or ESPP. Our ESPP will become effective immediately prior to and contingent upon the date of the underwriting agreement related to this offering. The purpose of our ESPP is to secure the services of new employees, to retain the services of existing employees, and to provide incentives for such individuals to exert maximum efforts toward our success and that of our affiliates. Our ESPP includes two components. One component is designed to allow eligible U.S. employees to purchase our common stock in a manner that may qualify for favorable tax treatment under Section 423 of the Code. The other component permits the grant of purchase rights that do not qualify for such favorable tax treatment in order to allow deviations necessary to permit participation by eligible employees who are foreign nationals or employed outside of the U.S. while complying with applicable foreign laws.

*Share reserve.* Our ESPP authorizes the issuance of \_\_\_\_\_ shares of our common stock under purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each year for a period of ten years, beginning on January 1, 2022 and continuing through January 1, 2031, by the lesser of (i) \_\_\_\_\_ % of the total number of shares of our common stock outstanding on December 31 of the immediately preceding year; and (ii) \_\_\_\_\_ shares, except before the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (i) and (ii).

*Administration.* Our board of directors administers our ESPP and may delegate its authority to administer our ESPP to our compensation committee. Our ESPP is implemented through a series of offerings under which eligible employees are granted purchase rights to purchase shares of our common stock on specified dates during such offerings. Under our ESPP, our board of directors may specify offerings with durations of not more than 27 months and to specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. Our ESPP provides that an offering may be terminated under certain circumstances.

*Payroll deductions.* Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in our ESPP and contribute, normally through payroll deductions, up to 15% of their earnings (as defined in our ESPP) for the purchase of our common stock under our ESPP. Unless otherwise determined by our board of directors, common stock will be purchased for the accounts of employees participating in our ESPP at a price per share that is not less than the lesser of (i) 85% of the fair market value of a share of our common stock on the first day of an offering; or (ii) 85% of the fair market value of a share of our common stock on the date of purchase.

*Limitations.* Employees may have to satisfy one or more of the following service requirements before participating in our ESPP, as determined by our board of directors: (i) being customarily employed for more than 20 hours per week; (ii) being customarily employed for more than five months per calendar year; or (iii) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under our ESPP at a rate in excess of \$25,000 worth of our common stock (based on the fair market value per share of our common stock at the beginning of an offering) for each calendar year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under our ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value under Section 424(d) of the Code.

*Changes to capital structure.* Our ESPP provides that in the event there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or similar transaction, our board of directors will make appropriate adjustments to: (i) the class(es) and maximum number of shares reserved under our ESPP; (ii) the class(es) and maximum number of shares by which the share reserve may increase automatically each year; (iii) the class(es) and number of shares subject to, and purchase price applicable to, outstanding offerings and purchase rights; and (iv) the class(es) and number of shares that are subject to purchase limits under ongoing offerings.

*Corporate transactions.* Our ESPP provides that in the event of a corporate transaction (as defined in the ESPP), any then-outstanding rights to purchase our common stock under our ESPP may be assumed, continued, or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue, or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within 10 business days before such corporate transaction, and such purchase rights will terminate immediately after such purchase.

*Plan amendment or termination.* Our board of directors has the authority to amend or terminate our ESPP, except in certain circumstances such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law or listing requirements.

#### **2016 Stock Incentive Plan**

Our board of directors originally adopted the LegalZoom.com, Inc. 2007 Stock Option Plan, or 2007 Plan, on February 1, 2007 and such plan was approved by our stockholders in February 2007. On April 20, 2010, our board of directors amended and restated the 2007 Plan and renamed it the LegalZoom.com, Inc. 2010 Stock Incentive Plan, or 2010 Plan. On August 17, 2016, our board of directors amended and restated the 2010 Plan and renamed it the LegalZoom.com, Inc. 2016 Stock Incentive Plan, or 2016 Plan. Our 2016 Plan permits the grant of ISOs, NSOs, stock awards, RSUs, and stock appreciation rights. ISOs may be granted only to our employees and to any of our parent or subsidiary corporation's employees. All other awards may be granted to employees, directors and consultants of ours and to any of our parent or subsidiary corporation's employees or consultants. Our 2016 Plan will be terminated prior to the completion of this offering, and thereafter we will not grant any additional awards under our 2016 Plan. However, our 2016 Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder.

*Share reserve.* At March 31, 2021, options to purchase 14,952,784 shares of our common stock with a weighted-average exercise price of \$8.93 per share and RSUs covering 3,308,780 shares of our common stock were outstanding under our 2016 Plan, and 4,899,218 shares of our common stock remained available for future awards under our 2016 Plan.

*Administration.* Our board of directors or a committee delegated by our board of directors administers our 2016 Plan. Subject to the terms of our 2016 Plan, the administrator has the power to, among other things, determine who will be granted awards, to determine the terms and conditions of each award (including the number of shares subject to the award, the exercise price of the award, if any, and when the award will vest and, as applicable, become exercisable), to lower or reduce the exercise price of outstanding options, to accelerate the time(s) at which an award may vest or be exercised, and to construe and interpret the terms of our 2016 Plan and awards granted thereunder.

*Option and restricted stock unit terms.* Options and restricted stock units granted under our 2016 Plan are subject to terms and conditions generally similar to those described above with respect to options and restricted stock units that may be granted under our 2021 Plan, except vested options will generally remain exercisable following a participant ceasing to be a service provider other than for cause for 30 days (or 12 months in the case of death or disability) following such termination.

*Capital structure changes.* In the event of certain changes in our capital structure, such as a stock split or recapitalization, equitable and proportionate adjustments will be made to (i) the number and kind of shares with respect to which awards may be granted under our 2016 Plan, (ii) the number and kind of shares and price per share, if applicable, of all outstanding awards, and (iii) the number and kind of outstanding securities issued under our 2016 Plan. In addition, in the event of certain changes in our capital structure, the administrator will take certain other actions described in the 2016 Plan to the extent it determines such action is appropriate to prevent dilution or enlargement of the benefits or potential benefits intended by us to be made available under the 2016 Plan or with respect to any award granted under the 2016 Plan or to facilitate the applicable transaction or event.

*Acquisition.* Our 2016 Plan provides that in the event of an acquisition (as defined in the 2016 Plan), any surviving/acquiring corporation or entity (or affiliate thereof) may assume or substitute similar stock awards for awards outstanding under our 2016 Plan. If awards are not assumed or substituted then (i) awards held by participants in our 2016 Plan whose status as an employee, director, or consultant of ours has not terminated prior to such event will become fully vested and, as applicable, exercisable and all restrictions on such awards will lapse, and such awards will terminate if not exercised, as applicable, immediately prior to the closing of the acquisition, and (ii) any other awards outstanding under our 2016 Plan will terminate if not exercised immediately prior to the closing of the acquisition.

*Plan amendment or termination.* Our board of directors may amend, alter, suspend or terminate our 2016 Plan at any time, subject to stockholder approval where such approval is required by applicable law. No amendment to our 2016 Plan may impair the rights of any award holder unless mutually agreed otherwise between the award holder and us. As discussed above, we will terminate our 2016 Plan prior to the completion of this offering and no new awards will be granted thereunder following such termination.

#### **Non-Employee Director Compensation**

We have not historically had a formal compensation policy with respect to service on our board of directors. However, we paid fees to certain of our non-employee directors for their service on our board of directors during 2020, as set forth in the table below, and we have reimbursed our non-employee directors for direct expenses incurred in connection with attending meetings of our board of directors or its committees, and occasionally granted stock options. We expect that our board of directors will adopt a director compensation policy for non-employee directors to be effective following the completion of this offering.

#### **2020 director compensation table**

The following table sets forth information regarding the compensation earned for service on our board of directors by our non-employee directors during 2020. Mr. Wernikoff also served on our board of directors, but

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did not receive any additional compensation for his service as a director and therefore is not included in the table below. The compensation for Mr. Wernikoff as an executive officer is set forth above under “—Summary Compensation Table.”

<u>Name(1)</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Total (\$)</u>
Jeffrey Stibel	75,000	75,000
Dipanjan “DJ” Deb	—	—
Khai Ha	—	—
Dipan Patel	—	—
Brian Ruder	—	—
Rob Singer	75,000	75,000
Christine Wang	—	—
David Yuan	—	—

(1) The following table provides information regarding the number of shares of common stock underlying stock options granted to our non-employee directors that were outstanding as of December 31, 2020.

<u>Name</u>	<u>Option Awards Outstanding at Year-End (#)</u>
Jeffrey Stibel	75,696(a)
Dipanjan “DJ” Deb	—
Khai Ha	—
Dipan Patel	—
Brian Ruder	—
Rob Singer	116,000
Christine Wang	—
David Yuan	—

(a) Includes an option to purchase 13,584 shares of common stock held by Bryant-Stibel Fund I, LLC.

### **Rule 10b5-1 Sales Plans**

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers may also buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information subject to compliance with the terms of our insider trading policy. Prior to \_\_\_\_\_ days after the date of this offering, subject to early termination, the sale of any shares under such plan would be prohibited by the lock-up agreement that the director or officer has entered into with the underwriters.



**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

The following includes a summary of transactions since January 1, 2018 and any currently proposed transactions, to which we were or are to be a participant, in which (1) the amount involved exceeded or will exceed \$120,000, and (2) any of our directors, executive officers or holders of more than 5% of our capital stock, or any affiliate or member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest, other than compensation and other arrangements that are described under the section titled “Executive and Director Compensation.”

We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that we would pay or receive, as applicable, in arm’s-length transactions.

**Relationships with Bryant Stibel Growth, LLC and Jeffrey Stibel**

Jeffrey Stibel, a member of our board of directors and a stockholder, is a partner of Bryant Stibel Growth, LLC, or BSG. In October 2017, we (1) issued to BSG and its affiliates 15,400,000 shares of common stock in consideration for services rendered by BSG, subject to certain forfeiture events as set forth in restricted stock award agreements, and (2) entered into the Services Agreement, pursuant to which BSG agreed to provide certain one-time consulting and other services to our board of directors and executive officers in exchange for a cash fee of \$13.8 million, which we paid in March 2018. In November 2017, we amended the Services Agreement with BSG, which terminated on December 31, 2018. The cash fee was expensed over the service period in 2018. Additionally, in connection with this transaction, we entered into a side letter with BSG providing for secondary piggyback registration rights following this offering.

**Secondary Sale Transactions**

In August 2018, pursuant to two separate Common Stock Purchase Agreements, certain existing stockholders of LegalZoom sold shares of our common stock to new investors, which series of transactions we refer to as the Secondary Sale. We agreed to waive certain transfer restrictions in connection with the Secondary Sale. The shares of common stock were sold by our stockholders to the new investors at a price of \$10.48 per share for an aggregate purchase price of approximately \$500 million.

The table below sets forth the number of shares of our common stock sold by holders of more than 5% of our capital stock in the Secondary Sale and the approximate proceeds each stockholder received for the sale of such shares.

<u>Name</u>	<u>Common Stock Sold (#)</u>	<u>Aggregate Proceeds (\$)</u>
LucasZoom, LLC <sup>(1)</sup>	38,903,036	407,703,817
Institutional Venture Partners XIII, L.P.	6,081,312	63,732,149
KPCB Holdings Inc., as nominee	2,725,224	28,560,348

(1) Dipan Patel and Brian Ruder are each a member of our board of directors and each serve as partners at subsidiaries of Permira Holdings Limited. Permira Holdings Limited is the ultimate controlling entity of the fund that indirectly owns LucasZoom, LLC, or LucasZoom.

The table below sets forth the number of shares of our common stock acquired by new investors who became holders of more than 5% of our capital stock as a result of the Secondary Sale and the approximate purchase price each stockholder paid for such shares.

<u>Name</u>	<u>Common Stock Purchased (#)</u>	<u>Aggregate Purchase Price (\$)</u>
Entities affiliated with Francisco Partners <sup>(1)</sup>	28,625,744	299,997,797
GPI Capital Gemini HoldCo LP <sup>(2)</sup>	9,541,916	99,999,280

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- (1) Dipanjan Deb is a member of our board of directors and a member of the investment committee of Francisco Partners Management LP and may be deemed to beneficially own the shares held by entities affiliated with Francisco Partners. Christine Wang is a member of our board of directors and a principal at Francisco Partners.
- (2) Khai Ha is a member of our board of directors and a member of the investment committee at GPI Capital, LLC and may be deemed to beneficially own the shares held by GPI Capital Gemini HoldCo LP.

### **Common Stock Financing**

In August 2018, we entered into a Common Stock Purchase Agreement pursuant to which we agreed to issue and sell up to 23,854,980 shares of our common stock at a price of \$10.48 per share to new investors, contingent upon the closing of a tender offer as described below. We refer to this transaction as the Common Stock Financing. Prior to the settlement of the tender offer, in October 2018, we issued and sold an aggregate of 18,430,684 shares of our common stock, pursuant to the Common Stock Financing for cash proceeds of \$193.2 million.

The table below sets forth the number of shares of our common stock acquired by new investors who became holders of more than 5% of our capital stock as a result of the Common Stock Financing and the approximate purchase price such stockholder paid for such shares.

<u>Name</u>	<u>Common Stock Purchased (#)</u>	<u>Aggregate Purchase Price (\$)</u>
Entities affiliated with TCV(1)	8,587,788	90,000,018

- (1) David Yuan is a member of our board of directors and is a general partner at TCV and may be deemed to beneficially own the shares held by TCV and its affiliates.

### **Tender Offer**

In September 2018, in connection with the Common Stock Financing, we launched an offer to purchase up to 23,854,980 shares of our common stock (including shares issuable upon exercise of vested stock options and the conversion of our redeemable convertible preferred stock) from certain of our eligible stockholders and optionholders at a price of \$10.48 per share, less transaction costs, pursuant to an offer to purchase. We refer to this transaction as the Company Tender Offer.

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The table below sets forth the number of shares of our common stock sold by our executive officers, directors, holders of more than 5% of our capital stock and their affiliated entities or immediate family members in the Company Tender Offer and the approximate proceeds, before transaction costs, each seller received for the sale of such shares. In October 2018, an aggregate of 18,430,684 shares of our capital stock were tendered pursuant to the Company Tender Offer and repurchased by us, including the shares sold by the individuals and entities in the table below.

<u>Name</u>	<u>Common Stock Sold (#)</u>	<u>Proceeds (\$)</u>
John Suh <sup>(1)</sup>	1,130,000	11,842,400
Rob Singer <sup>(2)</sup>	76,000	796,480
Entities affiliated with BSG <sup>(3)</sup>	4,998,524	52,384,532
Jeffrey Stibel <sup>(4)</sup>	73,400	769,651
Chas Rampenthal <sup>(5)</sup>	104,684	1,097,088
Frank Monestere <sup>(6)</sup>	788,584	8,264,360
Peter Oey <sup>(7)</sup>	165,000	1,729,200
Sham Telang <sup>(8)</sup>	130,000	1,362,400
Craig Holt <sup>(9)</sup>	165,000	1,729,200
Dorian Quispe <sup>(10)</sup>	86,000	901,280
Nicolette Quispe <sup>(11)</sup>	43,000	450,640
Laura Goldberg <sup>(12)</sup>	70,000	733,600

- (1) Mr. Suh was our Chief Executive Officer until October 1, 2019 and a member of our board of directors until September 19, 2019. Includes shares that were held by various estate planning trusts.
- (2) Mr. Singer is a member of our board of directors.
- (3) BSG is a holder of more than 5% of our capital stock. Mr. Stibel, a member of our board of directors, is the manager of Stibel Investments, LLC, which is a co-manager of Bryant-Stibel Fund I, LLC, or BS Fund, and the manager of Stibel & Company, which is the manager of Bryant Stibel Growth, or BSG.
- (4) Mr. Stibel is a member of our board of directors.
- (5) Mr. Rampenthal was our General Counsel until June 15, 2020.
- (6) Mr. Monestere was our President until September 15, 2020. Includes shares that were held by irrevocable trusts for the benefit of Mr. Monestere's children.
- (7) Mr. Oey was our Chief Financial Officer until March 13, 2020.
- (8) Mr. Telang was our Chief Technology Officer and Chief Operating Officer until February 28, 2020.
- (9) Mr. Holt was our Global Chief Product Officer until November 20, 2019.
- (10) Mr. Quispe was our Chief Digital Officer until February 28, 2020. Includes shares that were held with Mr. Quispe's wife, Nicolette Quispe, through a joint tenancy with a right of survivorship.
- (11) Ms. Quispe is the wife of Mr. Quispe, our former Chief Digital Officer.
- (12) Ms. Goldberg was our Chief Marketing Officer until December 14, 2018.

### **John Suh Line of Credit**

On September 19, 2019, John Suh, our former Chief Executive Officer, and his spouse entered into a \$50,000,000 line of credit, or Suh Credit Line, with J.P. Morgan, or the Lender. The Suh Credit Line is to be repaid by the borrowers upon the initial public offering of our securities. As collateral security for the Suh Credit Line, (i) Mr. Suh and his spouse pledged to the Lender, pursuant to a Collateral Agreement dated September 19, 2019, among other things, their interests in a securities account held with the Lender holding up to \$30,000,000 in marketable securities and 5,405,036 shares of our common stock, or the Pledged Stock, and (ii) LZ Financial Services, LLC, one of our wholly owned subsidiaries pledged to the Lender, pursuant to a Collateral Agreement dated September 19, 2019, \$25,000,000 of cash, or Cash Collateral. Pursuant to a Letter Agreement by and among us, Mr. Suh, his spouse and LZ Financial Services LLC, or Side Letter, the parties agreed that if the Cash Collateral is applied to the obligations under the Suh Credit Line, Mr. Suh and his spouse will reimburse us the amount by which the Cash Collateral was applied to repay such obligations. In the event Mr. Suh and his spouse do not comply with this reimbursement obligation, we have, per the Side Letter (i) recourse to the Pledged Stock under a Pledge Agreement dated September 19, 2019 between us and Mr. Suh and his spouse pursuant to which

Mr. Suh and his spouse pledged to us their interests in the Pledged Stock and (ii) full recourse against any and all property of Mr. Suh and his spouse in certain other specific situations. Mr. Suh and his spouse's reimbursement obligations to us under the Side Letter and pledge of the Pledged Stock under the Pledge Agreement in our favor are subject to a subordination agreement dated September 19, 2019 with the Lender pursuant to which we agreed to subordinate such obligations and security interests to the Lender until Mr. Suh and his spouse's obligations under the Suh Credit Line are repaid in full. Additionally, the Side Letter provides that, prior to our initial public offering filing, Mr. Suh and his spouse have the right to sell to us up to \$25,000,000 of LegalZoom common stock, including the Pledged Stock, at the fair market value of the shares as determined by our Board of Directors. We anticipate having sufficient availability under the restricted payments covenant of our 2018 Credit Agreement to make this repurchase if this option is exercised by Mr. Suh and his spouse.

#### **Repurchase Agreement with Chas Rampenthal**

In October 2020, we entered into a Stock Repurchase Agreement pursuant to which we agreed to repurchase 170,000 shares of our common stock at a price of \$9.82 per share from Chas Rampenthal, our former General Counsel, for an aggregate purchase price of \$1.7 million.

#### **Investors' Rights, Management Rights, Voting and Co-Sale Agreements**

In connection with our redeemable convertible preferred stock financing and as amended in connection with our Secondary Sale and Common Stock Financing, we entered into investors' rights, management rights, voting and right of first refusal and co-sale agreements containing registration rights, information rights, rights of first offer, voting rights and rights of first refusal, among other things, with certain holders of our capital stock. The holders of more than 5% of our capital stock that are party to these agreements are LucasZoom, Institutional Venture Partners XIII, L.P., KPCB Holdings, Inc., as nominee, GPI Capital Gemini HoldCo LP, the TCV entities, the BSG entities and entities affiliated with Francisco Partners.

These stockholder agreements will terminate upon the closing of this offering, except for the registration rights granted under our investors' rights agreement, which will terminate upon the earliest of: (1) the closing of a deemed liquidation event, as defined in our amended and restated certificate of incorporation, as currently in effect; (2) with respect to each stockholder, the date when such stockholder can sell all of its registrable shares without limitation during a three-month period without registration pursuant to Rule 144 of the Securities Act, or Rule 144, or another similar exemption under the Securities Act; and (3) five years after the completion this offering. For a description of the registration rights, see the section titled "Description of Capital Stock—Registration Rights."

#### **Agreements with Dun & Bradstreet Credibility Corp.**

In 2013, we entered into an amended and restated affiliate agreement, or the Affiliate Agreement, and an amended and restated small business resource agreement, or the Resource Agreement, with Dun & Bradstreet Credibility Corp., which was acquired by The Dun & Bradstreet Corporation, or Dun & Bradstreet, in 2015. Jeffrey Stibel, a member of our board of directors, was the president and chief executive officer of Dun & Bradstreet Credibility Corp. until the acquisition, at which time he became the Vice Chairman of Dun & Bradstreet, a position he held until March 2018. We submitted a letter of termination on July 12, 2020 and these agreements terminated on October 12, 2020, except for a twelve-month wind down period as required by the agreement. See Note 19 to our consolidated financial statements included elsewhere in this prospectus for additional information.

#### **Other Transactions**

We have entered into offer letter agreements with our executive officers that, among other things, provide for certain compensatory and change in control benefits, as well as severance benefits. For a description of these agreements with our named executive officers, see the section titled "Executive and Director Compensation—Executive Employment Agreements."

We have also granted stock options and RSUs to our executive officers and certain of our directors. For a description of these equity awards, see the section titled “Executive and Director Compensation.”

### **Indemnification Agreements**

We have entered into indemnification agreements with certain of our current directors and executive officers. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted under the DGCL. See the section titled “Management—Limitations of Liability and Indemnification Matters.”

Other than as described above under this section “Certain Relationships and Related Person Transactions,” since January 1, 2018, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related person where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm’s-length dealings with unrelated third parties.

### **Policies and Procedures for Related Person Transactions**

Our current related party transactions policy, which was adopted in June 2017, does not permit our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock and any members of the immediate family of any of the foregoing persons to enter into a related person transaction with us without the prior consent of our board of directors or a duly authorized committee of our board of directors, subject to certain pre-approved exceptions. In connection with this offering, we intend to adopt an amended written related party transactions policy that sets forth that any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our common stock or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds \$120,000 and such person would have a direct or indirect interest, must be presented to our board of directors or our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our board of directors or our audit committee is to consider the material facts of the transaction, including whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party’s interest in the transaction.

All of the transactions described in this section were entered into prior to the adoption of this amended policy. Our board of directors has historically reviewed and approved any transaction where a director or officer had a financial interest, including the transactions described above. Prior to approving such a transaction, the material facts as to a director’s or officer’s relationship or interest in the agreement or transaction were disclosed to our board of directors. Our board of directors considered this information when evaluating the transaction and in determining whether such transaction was fair to us and in the best interest of all our stockholders.

**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table sets forth, as of \_\_\_\_\_, 2021, information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each of the selling stockholders.

The percentage ownership information under the column titled “Before Offering” is based on \_\_\_\_\_ shares of common stock outstanding as of \_\_\_\_\_, 2021 assuming the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 46,162,160 shares of common stock upon the completion of this offering. The percentage ownership information under the column titled “After Offering” is based on the sale of \_\_\_\_\_ shares of common stock by us in this offering (assuming an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus). The percentage ownership information assumes no exercise of the underwriters’ option to purchase additional shares from us and the selling stockholders.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security. In addition, the rules include shares of common stock issuable upon the exercise of stock options or warrants that are currently exercisable or exercisable within 60 days of \_\_\_\_\_, 2021. These shares are deemed to be outstanding and beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The information contained in the following table does not necessarily indicate beneficial ownership for any other purpose. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Unless otherwise noted below, the address for each beneficial owner listed in the table below is c/o LegalZoom.com, Inc., 101 North Brand Boulevard, 11<sup>th</sup> Floor, Glendale, California 91203.

<u>Name of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned (#)</u>	<u>Number of Shares Offered Hereby (#)</u>	<u>Percentage of Shares Beneficially Owned</u>	
			<u>Before Offering (%)</u>	<u>After Offering (%)</u>
<b>5% Stockholders and Other Selling Stockholders</b>				
LucasZoom, LLC <sup>(1)</sup>				
Entities affiliated with Francisco Partners <sup>(2)</sup>				
Entities affiliated with BSG <sup>(3)</sup>				
Institutional Venture Partners XIII, L.P. <sup>(4)</sup>				
KPCB Holdings, Inc., as Nominee <sup>(5)</sup>				
GPI Capital Gemini HoldCo LP <sup>(6)</sup>				
Entities affiliated with TCV <sup>(7)</sup>				
<b>Named Executive Officers and Directors</b>				
Dan Wernikoff <sup>(8)</sup>				
Shrisha Radhakrishna <sup>(9)</sup>				

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Name of Beneficial Owner	Number of Shares Beneficially Owned (#)	Number of Shares Offered Hereby (#)	Percentage of Shares Beneficially Owned	
			Before Offering (%)	After Offering (%)
Noel Watson <sup>(10)</sup>				
Jeffrey Stibel <sup>(11)</sup>				
Dipanjn Deb <sup>(12)</sup>				
Khai Ha <sup>(13)</sup>				
Dipan Patel <sup>(14)</sup>				
Brian Ruder <sup>(15)</sup>				
Rob Singer <sup>(16)</sup>				
Christine Wang				
David Yuan				
All executive officers and directors as a group (15 persons) <sup>(17)</sup>				

\* Represents beneficial ownership of less than 1%.

(1) Consists of (i) shares of common stock and (ii) shares of common stock issuable upon conversion of redeemable convertible preferred stock. LucaZoom S.A.R.L., a Luxembourg private company, or LZOOM, is the sole member of LucasZoom. Permira V L.P.2 is the controlling shareholder of LZOOM. Permira V L.P.2 acts through its general partner, Permira V GP L.P., which acts through its general partner, Permira V GP Limited. Permira V GP Limited's board of directors consists of Thomas Lister, Christopher Crozier, Alistair Boyle, Julie Preece, Simon Holden and Nigel Carey. Permira V GP Limited has indirect voting and investment power over the shares held by LucasZoom, LLC. The address for LucasZoom, LLC is 3000 Sand Hill Road, Building 1, Suite 170, Menlo Park, CA 94025.

(2) Consists of (i) shares of common stock held by FPLZ I, L.P. and (ii) shares of common stock held by FPLZ II, L.P., which are managed by Francisco Partners Management, L.P. Dipanjn Deb, a member of our board of directors, David Golob, Ezra Perlman Keith Geeslin, and Megan Karlen are members of Francisco Partners Management, L.P.'s investment committee and share voting and dispositive power over the shares held by FPLZ I, L.P. and FPLZ II, L.P. The address for the entities affiliated with Francisco Partners is One Letterman Drive, Building C—Suite 410, San Francisco, CA 94129.

(3) Consists of (i) shares of common stock held by BSG, (ii) shares of common stock held by Bryant Stibel Fund, I, LLC, and together with BSG, Bryant Stibel, and (iii) shares of common stock underlying stock options that are exercisable within 60 days of , 2021 held by Bryant Stibel Fund, I, LLC. Stibel & Company LLC is the manager of BSG. Jeffrey Stibel is the manager of Stibel & Company LLC and has sole voting and dispositive power over the shares held by BSG. Carbon Investments, LLC and Kobe Investments, LLC are the co-managers of BS Fund. Mr. Stibel, the manager of Carbon Investments, LLC, and Kobe Investments, LLC have shared voting and dispositive power over the shares held by Bryant Stibel Fund I, LLC. The address for Bryant Stibel is 22761 Pacific Coast Highway, Garden Level, Malibu, CA 90265.

(4) Consists of (i) shares of common stock and (ii) shares of common stock issuable upon conversion of redeemable convertible preferred stock. Institutional Venture Management XIII, LLC is the general partner of Institutional Venture Partners XIII, L.P., or IVP. Todd C. Chaffee, Norman A. Fogelson, Stephen J. Harrick, J. Sanford Miller and Dennis B. Phelps are the managing directors of Institutional Venture Management XIII, LLC and share voting and dispositive power over the shares held by IVP. The address for these entities is c/o Institutional Venture Partners, 3000 Sand Hill Road, Building 2, Suite 250, Menlo Park, CA 94025.

(5) Consists of (i) shares of common stock held by KPCB Digital Growth Fund, LLC, or KPCB DGF, and (ii) shares of common stock held by KPCB Digital Growth Founders Fund, LLC, or KPCB DGF FF. All shares are held for convenience in the name of "KPCB Holdings, Inc., as nominee" for the accounts of such entities. The managing member of KPCB DGF and KPCB DGF FF is KPCB DGF Associates, LLC, or KPCB DGF Associates. L. John Doerr, Brook Byers, Mary Meeker, William "Bing" Gordon and Theodore E. Schlein, the managing members of KPCB DGF Associates, exercise shared voting and dispositive power over the shares held by KPCB DGF and KPCB DGF FF. Such managing members disclaim beneficial ownership of all shares held by KPCB DGF and KPCB DGF FF except to the extent of their pecuniary interest therein. The principal address for all entities and individuals affiliated with Kleiner Perkins Caufield & Byers is c/o Kleiner Perkins Caufield & Byers, LLC, 2750 Sand Hill Road, Menlo Park, CA 94025.

(6) Consists of shares of common stock held by GPI Capital Gemini HoldCo LP, or GPI. GPI Capital LLC is the sole member of GPI GP Limited, which is the general partner of GPI GP LP, which is the general partner of GPI. William T. Royan, Khai Ha, a member of our board of directors, Francois-Bernard Poulin and Aleksander Migon are members of the Investment Committee of GPI Capital, LLC and may be deemed to have shared voting, investment and dispositive power with respect to the shares held by GPI. The address for GPI is 437 Madison Avenue, 28th Floor, New York, NY 10022.

(7) Consists of (i) shares of common stock held by TCV IX, L.P., or TCV IX, (ii) shares of common stock held by TCV IX (A), L.P., or TCV IX (A), (iii) shares of common stock held by TCV IX (B), L.P., or TCV IX (B), and (iv) shares of common stock held by TCV Member Fund, L.P., or Member Fund and together with TCV IX, TCV IX (A) and TCV IX (B), the TCV

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Entities. The general partner of TCV Member Fund, L.P. (the "Member Fund") is Technology Crossover Management IX, Ltd. ("Management IX"), and the general partner of each of TCV IX, L.P., TCV IX (A), L.P., TCV IX (A) Opportunities, L.P. and TCV IX (B), L.P. (together with the Member Fund, the "TCV IX Funds") is Technology Crossover Management IX L.P. ("TCM IX"). The general partner of TCM IX is Management IX. Management IX may be deemed to have the sole voting and dispositive power over the shares held the TCV IX Funds. Management IX may be deemed to beneficially own the securities held by the TCV IX Funds but disclaims beneficial ownership of such shares except to the extent of its pecuniary interest therein. Jay C. Hoag, Jon Q. Reynolds Jr., Timothy P. McAdam and Christopher P. Marshall are the Class A Directors of Management IX, and each disclaims beneficial ownership of the securities held by the TCV IX Funds except to the extent of his pecuniary interest therein. The address for these entities is 250 Middlefield Road, Menlo Park, CA 94025.

- (8) Consists of (i) shares held of record by , and (ii) shares subject to options that are exercisable within 60 days of , 2021.
- (9) Consists of (i) shares held of record by , and (ii) shares subject to options that are exercisable within 60 days of . Mr. Radhakrishna also holds RSUs, of which will become vested within 60 days of , 2021.
- (10) Consists of (i) shares held of record by , and (ii) shares subject to options that are exercisable within 60 days of . Mr. Watson also holds RSUs, of which will become vested within 60 days of , 2021.
- (11) Consists of (i) the shares held by BSG and BS Fund disclosed in footnote (3) above, (ii) shares of common stock held directly by Mr. Stibel, (iii) shares of common stock underlying stock options held by Mr. Stibel that are exercisable within 60 days of , 2021 and (iv) shares of common stock underlying stock options that are exercisable within 60 days of , 2021 held by BS Fund. Mr. Stibel is the manager of Stibel & Company LLC, which is the manager of BSG, and he is the manager of Carbon Investments, LLC, which is a co-manager of BS Fund, and may be deemed to beneficially own the shares held by Bryant Stibel as disclosed in footnote (3).
- (12) Consists of the shares held by Francisco Partners disclosed in footnote (2) above. Mr. Deb is a partner of Francisco Partners and may be deemed to beneficially own the shares held by Francisco Partners as disclosed in footnote (2). Mr. Deb has a direct and indirect interest in Francisco Partners GP V, L.P., which is the General Partner of Francisco Partners Management, L.P., which is the investment manager of, FPLZ I, L.P. and FPLZ II, L.P. In such capacities, if the General Partner or investment manager is deemed to be a beneficial owner, Mr. Deb disclaims any beneficial ownership, except to the extent of any pecuniary interest therein.
- (13) Consists of the shares held by GPI disclosed in footnote (6) above. Mr. Ha is a member of the investment committee of GPI Capital, LLC and may be deemed to beneficially own the shares held by GPI as disclosed in footnote (6).
- (14) Consists of the shares held by LucasZoom, LLC disclosed in footnote (1) above. Mr. Patel is a member of the investment committee of Permira and may be deemed to beneficially own the shares held by LucasZoom, LLC as disclosed in footnote (1). In such capacity if Permira is deemed to be a beneficial owner, Mr. Patel disclaims any beneficial ownership, except to the extent of any pecuniary interest therein.
- (15) Consists of the shares held by LucasZoom, LLC disclosed in footnote (1) above. Mr. Ruder is a member of the investment committee of Permira and may be deemed to beneficially own the shares held by LucasZoom, LLC as disclosed in footnote (1). In such capacity if Permira is deemed to be a beneficial owner, Mr. Ruder disclaims any beneficial ownership, except to the extent of any pecuniary interest therein.
- (14) Consists of (i) shares held of record by , and (ii) shares subject to options that are exercisable within 60 days of .
- (16) Consists of (i) shares beneficially owned by our current executive officers and directors, and (ii) shares subject to options exercisable within 60 days of , 2021, all of which are vested as of such date. Some of our current directors and executive officers also hold RSUs, of which will become vested within 60 days of , 2021.



## DESCRIPTION OF CAPITAL STOCK

*The following description of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries. You should also refer to the amended and restated certificate of incorporation, the amended and restated bylaws and the third amended and restated investors' rights agreement, which are filed as exhibits to the registration statement of which this prospectus is a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will be in effect immediately after the closing of this offering.*

### **General**

Upon the completion of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of \_\_\_\_\_ shares of common stock, par value \$0.001 per share, and \_\_\_\_\_ shares of preferred stock, par value \$0.001 per share.

### **Common Stock**

#### ***Outstanding shares***

At March 31, 2021, we had \_\_\_\_\_ shares of common stock outstanding, held of record by 538 stockholders, assuming the automatic conversion of all 23,081,080 shares of our outstanding redeemable convertible preferred stock into 46,162,160 shares of common stock upon the completion of this offering.

#### ***Voting rights***

Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders. The affirmative vote of holders of at least 66 <sup>2</sup>/<sub>3</sub>% of the voting power of all of the then-outstanding shares of capital stock, voting as a single class, will be required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to amending our amended and restated bylaws, the classified board, the size of our board, removal of directors, director liability, vacancies on our board, special meetings, stockholder notices, actions by written consent and exclusive jurisdiction.

#### ***Dividend rights***

Subject to preferences that may apply to any outstanding preferred stock, holders of our common stock are entitled to receive ratably any dividends that our board of directors may declare out of funds legally available for that purpose on a non-cumulative basis.

#### ***Liquidation rights***

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

#### ***Rights and preferences***

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

## **Preferred Stock**

Upon the completion of this offering, all outstanding shares of our redeemable convertible preferred stock will convert into shares of our common stock on a one-for-two basis. At March 31, 2021, we had 23,081,080 shares of redeemable convertible preferred stock outstanding, held of record by four stockholders. Immediately after the completion of this offering, our certificate of incorporation will be amended and restated to delete all references to such shares of redeemable convertible preferred stock. Under the amended and restated certificate of incorporation that will be effective immediately after the completion of this offering, our board of directors will have the authority, without further action by the stockholders, to issue up to \_\_\_\_\_ shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of our common stock and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. On and immediately after the closing of this offering, no shares of preferred stock will be outstanding. We have no current plans to issue any shares of preferred stock.

## **Stock Options and Restricted Stock Units**

At March 31, 2021, (1) 14,952,784 shares of common stock were issuable upon the exercise of outstanding stock options, at a weighted-average exercise price of \$8.93 per share, pursuant to our 2016 Plan, and (2) RSUs covering 3,308,780 shares of our common stock were outstanding pursuant to our 2016 Plan. For additional information regarding terms of our equity incentive plans, see the section titled “Executive and Director Compensation—Equity Incentive Plans.”

## **Registration Rights**

Upon the completion of this offering, certain holders of shares of our common stock, including those shares of our common stock that will be issued upon the conversion of our redeemable convertible preferred stock in connection with this offering, will initially be entitled to certain rights with respect to registration of such shares under the Securities Act. These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of our third amended and restated investors’ rights agreement and the terms of a registration rights agreement, which are described in additional detail below. The registration of shares of our common stock pursuant to the exercise of the registration rights described below would enable the holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts and selling commissions, of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions and limitations, to limit the number of shares the holders may include. The demand, piggyback and Form S-3 registration rights described below will expire no later than five years after the completion of this offering, or with respect to any particular holder, at such time that such holder can sell its shares under Rule 144 during any three-month period.

### ***Demand registration rights***

Upon the completion of this offering, holders of 76,180,648 shares of our common stock, including 36,537,688 of our common stock issuable upon the conversion of 18,268,844 shares of our redeemable convertible preferred stock in connection with this offering, will be entitled to certain demand registration rights. At any time following the effectiveness of this registration statement, certain holders of registrable securities have the right to make up to four requests that we register all or a portion of their shares, subject to certain specified exceptions. If any of these holders exercises its demand registration rights, then holders of 116,277,716 shares of our common stock, including 46,162,160 shares of our common stock issuable upon the conversion of 23,081,080 shares of our redeemable convertible preferred stock in connection with this offering, will be entitled to register their shares, subject to specified conditions and limitations, in the corresponding offering.

### ***Piggyback registration rights***

In connection with this offering, holders of 116,277,716 shares of our common stock, including 46,162,160 shares of our common stock issuable upon the conversion of 23,081,080 shares of our redeemable convertible preferred stock in connection with this offering, are entitled to rights to notice of this offering and to include their shares of registrable securities in this offering, which the requisite percentage of holders have waived. In the event that we propose to register any of our securities under the Securities Act in another offering, either for our own account or for the account of other security holders, holders of 116,277,716 registrable securities, including 46,162,160 shares of our common stock issuable upon the conversion of 23,081,080 shares of our redeemable convertible preferred stock in connection with this offering, will be entitled to certain “piggyback” registration rights allowing them to include their shares in such registration, subject to specified conditions and limitations.

### ***Form S-3 registration rights***

Upon the completion of this offering, holders of 116,277,716 shares of our common stock, including 46,162,160 shares of our common stock issuable upon the conversion of 23,081,080 shares of our redeemable convertible preferred stock in connection with this offering, may request that we register all of a portion of their shares on Form S-3 if we are qualified to file a registration statement on Form S-3, subject to specified exceptions. Such request for registration on Form S-3 must cover securities with an aggregate offering price which equals or exceeds \$7.5 million, net of selling expenses. The right to have such shares registered on Form S-3 is further subject to other specified conditions and limitations.

## **Anti-Takeover Provisions of Delaware Law and Our Charter Documents**

### ***Section 203 of the Delaware General Corporation Law***

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (1) by persons who are directors and also officers and (2) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

#### ***Amended and restated certificate of incorporation and amended and restated bylaws***

Because our stockholders do not have cumulative voting rights, stockholders holding a majority of the voting power of our shares of common stock will be able to elect all of our directors. Our amended and restated certificate of incorporation and amended and restated bylaws to be effective immediately prior to the completion of this offering will require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent or electronic transmission.

A special meeting of stockholders may be called by a majority of our board of directors, the chair of our board of directors, our chief executive officer or our lead independent director. Our amended and restated bylaws to be effective immediately prior to the completion of this offering will establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors.

In accordance with our amended and restated certificate of incorporation to be effective immediately prior to the completion of this offering, immediately after this offering, our board of directors will be divided into three classes with staggered three-year terms.

The foregoing provisions will make it more difficult for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are intended to preserve our existing control structure after completion of this offering, facilitate our continued product innovation and the risk-taking that it requires, permit us to continue to prioritize

our long-term goals rather than short-term results, enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are also designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage certain tactics that may be used in proxy fights.

However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of deterring hostile takeovers or delaying changes in our control or management. As a consequence, these provisions may also inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

#### **Choice of Forum**

Our amended and restated certificate of incorporation to be effective immediately prior to the completion of this offering will provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court therefrom shall be the sole and exclusive forum for the following claims or causes of action under Delaware statutory or common law: (A) any derivative claim or cause of action brought on our behalf; (B) any claim or cause of action for breach of a fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders; (C) any claim or cause of action against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or amended and restated bylaws (as each may be amended from time to time); (D) any claim or cause of action seeking to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or amended and restated bylaws (as each may be amended from time to time, including any right, obligation, or remedy thereunder); (E) any claim or cause of action as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware; and (F) any claim or cause of action against us or any of our current or former directors, officers or other employees governed by the internal-affairs doctrine or otherwise related to our internal affairs, in all cases to the fullest extent permitted by law and subject to the court having personal jurisdiction over the indispensable parties named as defendants; provided, that, this Delaware forum provision set forth in our amended and restated certificate of incorporation to be effective immediately prior to the completion of this offering shall not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act or the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction.

Further, our amended and restated certificate of incorporation to be effective immediately prior to the completion of this offering will provide that unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, including all causes of action asserted against any defendant named in such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters for any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering.

Additionally, our amended and restated certificate of incorporation to be effective immediately prior to the completion of this offering will provide that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions.

#### **Limitations of Liability and Indemnification**

See the section titled “Management—Limitations of Liability and Indemnification Matters.”

**Market Listing**

We have applied for listing of our common stock on The Nasdaq Global Select Market under the symbol “LZ.”

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The transfer agent and registrar’s address is 250 Royall Street, Canton, Massachusetts 02021, and its telephone number is (800) 962-4284.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of our common stock, including shares issued upon the exercise of outstanding options or settlement of restricted stock units, in the public market after the completion of this offering, or the perception that those sales may occur, could adversely affect the prevailing market price for our common stock from time to time or impair our ability to raise equity capital in the future. As described below, only a limited number of shares of our common stock will be available for sale in the public market for a period of several months after the completion of this offering due to contractual and legal restrictions on resale described below. Future sales of our common stock in the public market either before (to the extent permitted) or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock at such time and our ability to raise equity capital at a time and price we deem appropriate.

### Sale of Restricted Shares

Based on the number of shares of our common stock outstanding as of March 31, 2021, upon the closing of this offering and assuming (1) the automatic conversion of all 23,081,080 shares of our outstanding redeemable convertible preferred stock into an aggregate of 46,162,160 shares of our common stock upon the completion of this offering, (2) no exercise of the underwriters' option to purchase additional shares of common stock from us and the selling stockholders and (3) no exercise of outstanding options or vesting of outstanding restricted stock units, we will have outstanding an aggregate of approximately \_\_\_\_\_ shares of common stock. Of these shares, all of the \_\_\_\_\_ shares of common stock to be sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 or subject to lock-up agreements. All remaining shares of common stock held by existing stockholders immediately prior to the consummation of this offering will be "restricted securities," as such term is defined in Rule 144. These restricted securities were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701 of the Securities Act, or Rule 701, which rules are summarized below.

As a result of the lock-up agreements referred to below and the provisions of Rule 144 and Rule 701 under the Securities Act, based on the number of shares of our common stock outstanding as of March 31, 2021, the shares of our common stock (excluding the shares sold in this offering) that will be available for sale in the public market are as follows:

<u>Approximate Number of Shares</u> shares	<u>First Date Available for Sale into Public Market</u> days after the date of this prospectus, upon expiration of the lock-up agreements referred to below, subject in some cases to applicable volume, manner of sale and other limitations under Rule 144 and Rule 701.
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We may issue shares of common stock from time to time as consideration for future acquisitions, investments or other corporate purposes. In the event that any such acquisition, investment or other transaction is significant, the number of shares of common stock that we may issue may in turn be significant. We may also grant registration rights covering those shares of common stock issued in connection with any such acquisition and investment.

In addition, the shares of common stock reserved for future issuance under our 2021 Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements, a registration statement under the Securities Act or an exemption from registration, including Rule 144 and Rule 701.

#### **Rule 144**

In general, persons who have beneficially owned restricted shares of our common stock for at least six months, and any affiliate of the company who owns shares of our common stock, are entitled to sell their securities without registration with the SEC under an exemption from registration provided by Rule 144.

Under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, and we are current in our Exchange Act reporting at the time of sale, a person (or persons whose shares are required to be aggregated) who is not deemed to have been one of our “affiliates” for purposes of Rule 144 at any time during the 90 days preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our “affiliates,” is entitled to sell those shares in the public market (subject to the lock-up agreement referred to below, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than “affiliates,” then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreement referred to above, if applicable). In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our “affiliates,” as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months, are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately \_\_\_\_\_ shares of common stock immediately upon the completion of this offering (calculated as of March 31, 2021 on the basis of the assumptions described above and assuming no exercise of the underwriter’s option to purchase additional shares from us and the selling stockholders and no exercise of outstanding options); or
- the average weekly trading volume of our common stock on \_\_\_\_\_ during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our “affiliates” or persons selling shares on behalf of our “affiliates” are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

#### **Rule 701**

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 before the effective date of the registration statement of which this prospectus is a part (to the extent such common stock is not subject to a lock-up agreement) and who are not our “affiliates” as defined in Rule 144 during the immediately preceding 90 days, is entitled to rely on Rule 701 to resell such shares beginning 90 days after the date of this prospectus in reliance on Rule 144, but without complying with the notice, manner of sale, public information requirements or volume limitation provisions of Rule 144. Persons who are our “affiliates” may resell those shares beginning 90 days after the date of this prospectus without compliance with minimum holding period requirements under Rule 144 (subject to the terms of the lock-up agreement referred to below, if applicable).



### **Lock-Up Agreements**

In connection with this offering, we, the selling stockholders, our directors, our executive officers and substantially all of the holders of all of our other outstanding shares of common stock or securities convertible into or exchangeable for shares of our common stock outstanding upon the completion of this offering, have agreed, subject to certain exceptions, with the underwriters not to directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or hedge any shares of our common stock or any options to purchase shares of our common stock, or any securities convertible into or exchangeable for shares of common stock during the period from the date of the lock-up agreement continuing through the date    days after the date of this prospectus, except with the prior written consent of J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC and certain other exceptions.

In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with certain security holders, including the third amended and restated investors' rights agreement and our standard forms of option agreement and restricted stock unit award agreement, that contain market stand-off provisions or incorporate market stand-off provisions from our equity incentive plans, imposing restrictions on the ability of such security holders to offer, sell or transfer our equity securities for a period of 180 days following the date of this prospectus.

### **Registration Rights**

Upon the completion of this offering, the holders of up to 116,277,716 shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up agreements described under “—Lock-Up Agreements” above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of the registration statement of which this prospectus is a part. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. The requisite percentage of these stockholders have waived all such stockholders' rights to notice of this offering and to include their shares of registrable securities in this offering. See the section titled “Description of Capital Stock—Registration Rights.”

### **Equity Incentive Plans**

We intend to file with the SEC a registration statement on Form S-8 under the Securities Act covering the shares of common stock reserved for issuance under our 2016 Plan, 2021 Plan and ESPP. The registration statement is expected to be filed and become effective as soon as practicable after the completion of this offering. Accordingly, shares registered under the registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the lock-up agreements described above, if applicable.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following summary describes the material U.S. federal income tax consequences of the acquisition, ownership, and disposition of our common stock acquired in this offering by Non-U.S. Holders (as defined below). This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, does not deal with non-U.S., state, and local consequences that may be relevant to Non-U.S. Holders in light of their particular circumstances, and does not address U.S. federal tax consequences (such as gift and estate taxes) other than income taxes. Special rules different from those described below may apply to certain Non-U.S. Holders that are subject to special treatment under the Code, such as financial institutions, insurance companies, tax-exempt organizations, tax-qualified retirement plans, governmental organizations, broker-dealers and traders in securities, U.S. expatriates, “controlled foreign corporations,” “passive foreign investment companies,” corporations that accumulate earnings to avoid U.S. federal income tax, corporations organized outside of the United States, any state thereof, or the District of Columbia that are nonetheless treated as U.S. taxpayers for U.S. federal income tax purposes, persons that hold our common stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security,” or integrated investment or other risk reduction strategy, persons who acquire our common stock through the exercise of an option or otherwise as compensation, persons subject to the alternative minimum tax or federal Medicare contribution tax on net investment income, persons subject to special tax accounting rules under Section 451(b) of the Code, “qualified foreign pension funds” as defined in Section 897(1)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds, partnerships and other pass-through entities or arrangements and investors in such pass-through entities or arrangements, persons deemed to sell our common stock under the constructive sale provisions of the Code, and persons that own, or are deemed to own, our common stock. Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code and Treasury Regulations, rulings, and judicial decisions thereunder, each as of the date hereof, and such authorities may be repealed, revoked, or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the U.S. Internal Revenue Service (the IRS) with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. This discussion assumes that the Non-U.S. Holder holds our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment).

This discussion is for informational purposes only and is not tax advice. Persons considering the purchase of our common stock pursuant to this offering should consult their own tax advisors concerning the U.S. federal income, gift, estate, and other tax consequences of acquiring, owning, and disposing of our common stock in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction, including any state, local, or foreign tax consequences, or under any applicable income tax treaty.

For the purposes of this discussion, a “Non-U.S. Holder” is a beneficial owner of common stock that is neither a U.S. Holder nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes regardless of its place of organization or formation). A “U.S. Holder” means a beneficial owner of our common stock that is for U.S. federal income tax purposes any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

## **Distributions**

As described in the section titled “Dividend Policy,” we do not anticipate declaring or paying any cash dividends in the foreseeable future. However, if we do make distributions of cash or property on our common stock to a Non-U.S. Holder, such distributions, to the extent made out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles), generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, subject to the discussions below regarding effectively connected income, backup withholding, and foreign accounts. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide us with a properly executed IRS Form W-8BEN (in the case of individuals) or IRS Form W-8BEN-E (in the case of entities), or other appropriate form, certifying the Non-U.S. Holder’s entitlement to benefits under that treaty. We do not intend to adjust our withholding unless such certificates are provided to us or our paying agent before the payment of dividends and are updated as may be required by the IRS. In the case of a Non-U.S. Holder that is an entity, Treasury Regulations and the relevant tax treaty provide rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends will be treated as paid to the entity or to those holding an interest in that entity. If a Non-U.S. Holder holds our common stock through a financial institution or other agent acting on the holder’s behalf, the holder will be required to provide appropriate documentation to such agent. The holder’s agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty and you do not timely file the required certification, you may be able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains in the United States) if a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or, if our common stock is held through a financial institution or other agent, to such agent). In general, such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular rates applicable to U.S. residents. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional “branch profits tax,” which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder’s effectively connected earnings and profits, subject to certain adjustments. Non-U.S. Holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

To the extent distributions on our common stock, if any, exceed our current and accumulated earnings and profits, they will first reduce the Non-U.S. Holder’s adjusted basis in our common stock, but not below zero, and then will be treated as gain to the extent of any excess amount distributed, and taxed in the same manner as gain realized from a sale or other disposition of our common stock as described in the next section.

## **Gain on Disposition of Our Common Stock**

Subject to the discussions below regarding backup withholding and foreign accounts, a Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our common stock unless (a) the gain is effectively connected with a trade or business of such holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains in the United States), (b) the Non-U.S. Holder is a nonresident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (c) we are or have been a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code at any time within the shorter of the five-year period preceding such disposition or such holder’s holding period in our common stock. In general, we would be a United States real property holding corporation if the fair market value of our U.S. real property interests equals

or exceeds 50% of the sum of the fair market value of our worldwide real property interests plus our other assets used or held for use in a trade or business. We believe that we have not been and we are not, and do not anticipate becoming, a United States real property holding corporation. Even if we are treated as a United States real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned, directly, indirectly, and constructively, no more than 5% of our common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder's holding period in our common stock and (2) our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market. There can be no assurance that our common stock will continue to qualify as regularly traded on an established securities market for purposes of these rules. If any gain on your disposition is taxable because we are or become a United States real property holding corporation and your ownership of our common stock exceeds 5%, you will be taxed on such disposition generally in the manner as gain that is effectively connected with the conduct of a U.S. trade or business (subject to the provisions under an applicable income tax treaty), except that the branch profits tax generally will not apply.

If you are a Non-U.S. Holder described in (a) above, you will be required to pay tax on a net income basis at the U.S. federal income tax rates applicable to U.S. Holders, and corporate Non-U.S. Holders described in (a) above may be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are a Non-U.S. Holder described in (b) above, you will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on the net gain derived from the disposition, which gain may be offset by certain U.S.-source capital losses (even though you are not considered a resident of the United States), provided that the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses. Non-U.S. Holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

### **Information Reporting Requirements and Backup Withholding**

Information returns are required to be filed with the IRS in connection with distributions on our common stock. Unless you comply with certification procedures to establish that you are not a U.S. person, information returns may also be filed with the IRS in connection with the proceeds from a sale or other disposition of our common stock. You may be subject to backup withholding on payments on our common stock or on the proceeds from a sale or other disposition of our common stock unless you comply with certification procedures to establish that you are not a U.S. person or otherwise establish an exemption. Your provision of a properly executed applicable IRS Form W-8 certifying your non-U.S. status will permit you to avoid backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### **Foreign Accounts**

Sections 1471 through 1474 of the Code (commonly referred to as FATCA) impose a U.S. federal withholding tax of 30% on certain payments, including dividends paid on, and the gross proceeds of a disposition of, our common stock paid to a foreign financial institution (as specifically defined by applicable rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). FATCA also generally imposes a federal withholding tax of 30% on certain payments, including dividends paid on, and the gross proceeds of a disposition of, our common stock to a non-financial foreign entity unless such entity provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding substantial direct and indirect U.S. owners of the entity. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules.

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The U.S. Treasury Department has released proposed regulations which, if finalized in their present form, would eliminate the federal withholding tax of 30% applicable to the gross proceeds of a disposition of our common stock. In its preamble to such proposed regulations, the U.S. Treasury Department stated that taxpayers may generally rely on the proposed regulations until final regulations are issued. Non-U.S. Holders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

**EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY RECENT OR PROPOSED CHANGE IN APPLICABLE LAW.**

## UNDERWRITING

We and the selling stockholders are offering the shares of common stock described in this prospectus through a number of underwriters. J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC are acting as joint book-running managers of the offering and as representatives of the underwriters. We and the selling stockholders have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we and the selling stockholders have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

<u>Name</u>	<u>Number of Shares</u>
J.P. Morgan Securities LLC	
Morgan Stanley & Co. LLC	
Barclays Capital Inc.	
Total	

The underwriters are committed to purchase all the shares offered by us and the selling stockholders if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the shares directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of \$        per share. Any such dealers may resell shares to certain other brokers or dealers at a discount of up to \$        per share from the initial public offering price. After the initial offering of the shares to the public, if all of the shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. Sales of any shares made outside of the United States may be made by affiliates of the underwriters.

The underwriters have an option to buy up to        additional shares of common stock from us and the selling stockholders to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this option to purchase additional shares. If any shares are purchased with this option to purchase additional shares, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us and the selling stockholders per share of common stock. The underwriting fee is \$        per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	<u>Without option to purchase additional shares exercise</u>	<u>With full option to purchase additional shares exercise</u>
Per Share	\$	\$
Total	\$	\$

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be

approximately \$ . We have agreed to reimburse the underwriters for certain other expenses in an amount up to \$ . We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately \$ . We have agreed to reimburse the underwriters for expenses relating to clearance of this offering with the Financial Industry Regulatory Authority up to \$ .

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not, subject to certain exceptions, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, or submit to, or file with, the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exercisable or exchangeable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, loan, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise), in each case without the prior written consent of J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC for a period of days after the date of this prospectus, other than the shares of our common stock to be sold in this offering.

Our directors and executive officers, the selling stockholders and (such persons, the “lock-up parties”) have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each lock-up party, for a period of days after the date of this prospectus (such period, the “restricted period”), may not (and may not cause any of their direct or indirect affiliates to), without the prior written consent of J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, subject to certain exceptions, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (including, without limitation, common stock or such other securities which may be deemed to be beneficially owned by such lock-up parties in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant (collectively with the common stock, the “lock-up securities”)), (2) enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the lock-up securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of lock-up securities, in cash or otherwise, (3) make any demand for, or exercise any right with respect to, the registration of any lock-up securities, or (4) publicly disclose the intention to do any of the foregoing. Such persons or entities have further acknowledged that these undertakings preclude them from engaging in any hedging or other transactions or arrangements (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) designed or intended, or which could reasonably be expected to lead to or result in, a sale or disposition or transfer (by any person or entity, whether or not a signatory to such agreement) of any economic consequences of ownership, in whole or in part, directly or indirectly, of any lock-up securities, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of lock-up securities, in cash or otherwise.

J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC in their sole discretion, may release the securities subject to any of the lock-up agreements with the underwriters described above, in whole or in part at any time.

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We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

We have applied to have our common stock approved for listing/quotation on The Nasdaq Global Select Market under the symbol “LZ”.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the underwriters’ option to purchase additional shares referred to above, or may be “naked” shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their option to purchase additional shares, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act of 1933, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on The Nasdaq Global Select Market, in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations among us, the selling stockholders and the representatives of the underwriters. In determining the initial public offering price, we, the selling stockholders and the representatives of the underwriters expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.



Neither we nor the selling stockholders nor the underwriters can assure investors that an active trading market will develop for our shares, or that the shares will trade in the public market at or above the initial public offering price.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. An affiliate of J.P. Morgan Securities LLC is the administrative agent and a lender, and an affiliate of Morgan Stanley & Co. LLC is a lender, under our 2018 Credit Facility. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

Other than in the United States, no action has been taken by us, the selling stockholders or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

#### **Notice to prospective investors in Canada**

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

#### **Notice to prospective investors in the European Economic Area**

In relation to each Member State of the European Economic Area (each, a "Relevant State"), no offer of securities which are the subject of the offering contemplated by this prospectus may be made to the public in that Relevant State, other than:

- at any time to any legal entity which is a "qualified investor" as defined in the Prospectus Regulation;
- at any time to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Regulation), subject to obtaining the prior consent of the underwriters; or
- at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of securities referred to above shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of securities to the public” in relation to any securities in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

#### **Notice to prospective investors in the United Kingdom**

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or be caused to be communicated (all such persons together being referred to as “relevant persons”). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

No offer of securities which are the subject of the offering contemplated by this prospectus may be made to the public in the United Kingdom, other than:

- at any time to any legal entity which is a “qualified investor” as defined in Article 2 of the UK Prospectus Regulation;
- at any time to fewer than 150 natural or legal persons (other than “qualified investors” as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the underwriters; or
- at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of securities referred to above shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “an offer of securities to the public” in relation to any securities means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.”

## LEGAL MATTERS

Our counsel, Cooley LLP, will pass on the validity of the issuance of shares of common stock offered by this prospectus. The underwriters are being represented by Latham & Watkins LLP.

## EXPERTS

The financial statements as of December 31, 2019 and 2020 and for the years then ended included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act that registers the shares of our common stock to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules filed as part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains a website ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements and other information regarding issuers, like us, that file electronically with the SEC.

Upon completion of this offering, we will become subject to the information reporting requirements of the Exchange Act and, as a result, will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for review on the website of the SEC referred to above. We also maintain a corporate website at [www.legalzoom.com](http://www.legalzoom.com). Upon completion of this offering, you may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC, free of charge, at our corporate website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained on, or that can be accessed through, our websites shall not be deemed incorporated into and is not part of this prospectus or the registration statement of which it forms a part, and the inclusion of our website address in this prospectus is an inactive textual reference only.

LEGALZOOM.COM, INC.

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of LegalZoom.com, Inc.

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of LegalZoom.com, Inc. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, of comprehensive income, of redeemable convertible preferred stock and stockholders’ deficit and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2019.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB and 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 consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP  
Los Angeles, California  
April 6, 2021

We have served as the Company’s auditor since 2006.

**LegalZoom.com, Inc.**  
**Consolidated Balance Sheets**  
*(In thousands, except par values)*

	<u>December 31,</u>	
	<u>2019</u>	<u>2020</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 49,180	\$ 114,470
Accounts receivable, net of allowance of \$2,461 and \$5,256	10,175	8,555
Prepaid expenses and other current assets	10,091	10,536
Total current assets	69,446	133,561
Property and equipment, net	60,059	51,374
Goodwill	9,806	11,404
Intangible assets, net	3,078	815
Deferred income taxes	20,250	22,807
Restricted cash equivalent	25,000	25,000
Available-for-sale debt securities	5,528	1,050
Other assets	6,839	6,053
Total assets	<u>\$ 200,006</u>	<u>\$ 252,064</u>
<b>Liabilities, redeemable convertible preferred stock and stockholders' deficit</b>		
Current liabilities:		
Accounts payable	\$ 16,763	\$ 28,734
Accrued expenses and other current liabilities	36,426	41,028
Deferred revenue	102,570	127,142
Current portion of long-term debt	2,999	3,029
Total current liabilities	158,758	199,933
Long-term debt, net of current portion	515,391	512,362
Deferred revenue	4,170	2,937
Other liabilities	7,772	16,558
Total liabilities	<u>686,091</u>	<u>731,790</u>
Commitments and contingencies (Note 13)		
Series A redeemable convertible preferred stock, \$0.001 par value; 30,512 shares authorized at December 31, 2019 and 2020; 23,081 issued and outstanding at December 31, 2019 and 2020	70,906	70,906
Stockholders' deficit:		
Common stock, \$0.001 par value; 264,720 shares authorized; 124,382 and 125,037 shares issued and outstanding at December 31, 2019 and 2020, respectively	125	126
Additional paid-in capital	92,916	102,417
Accumulated deficit	(644,305)	(639,348)
Accumulated other comprehensive loss	(5,727)	(13,827)
Total stockholders' deficit	<u>(556,991)</u>	<u>(550,632)</u>
<b>Total liabilities, redeemable convertible preferred stock and stockholders' deficit</b>	<u>\$ 200,006</u>	<u>\$ 252,064</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**LegalZoom.com, Inc.**  
**Consolidated Statements of Operations**  
*(In thousands, except per share amounts)*

	Year Ended December 31,	
	2019	2020
Revenue	\$ 408,380	\$ 470,636
Cost of revenue	136,915	154,563
Gross profit	271,465	316,073
Operating expenses:		
Sales and marketing	115,913	171,390
Technology and development	37,204	41,863
General and administrative	57,762	51,017
Impairment of goodwill, long-lived and other assets	14,321	1,105
Loss on sale of business	—	1,764
Total operating expenses	225,200	267,139
Income from operations	46,265	48,934
Interest expense, net	(38,559)	(35,504)
Other income, net	2,577	3,713
Impairment of available-for-sale debt securities of \$4,912, net of \$94 loss recognized in other comprehensive loss	—	(4,818)
Income before income taxes and income from equity method investment	10,283	12,325
Provision for income taxes	3,161	2,429
Income before income from equity method investment	7,122	9,896
Income from equity method investment	321	—
Net income	\$ 7,443	\$ 9,896
Net income attributable to common stockholders—basic	\$ 5,422	\$ 7,223
Net income attributable to common stockholders—diluted	\$ 5,476	\$ 7,262
Net income per share attributable to common stockholders:		
Basic	\$ 0.04	\$ 0.06
Diluted	\$ 0.04	\$ 0.06
Weighted-average shares used to compute net income per share attributable to common stockholders:		
Basic	123,826	124,709
Diluted	128,546	127,259

*The accompanying notes are an integral part of these consolidated financial statements*

**LegalZoom.com, Inc.**  
**Consolidated Statements of Comprehensive Income**  
*(In thousands)*

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
Net income	\$ 7,443	\$ 9,896
Other comprehensive loss, net of tax:		
Change in foreign currency translation adjustments:	<u>(2,507)</u>	<u>(1,296)</u>
Change in available-for-sale debt securities:		
Unrealized gains	565	108
Reclassifications of losses to net income	—	(94)
Reclassification upon conversion into other equity security	<u>(334)</u>	<u>—</u>
Total change in available-for-sale debt securities	231	14
Change in unrealized losses on cash flow hedges:		
Unrealized loss on interest rate cap and swaps	(3,847)	(9,578)
Reclassification of prior hedge effectiveness and losses from interest rate cap to net income	—	2,760
Total net changes in cash flow hedges	<u>(3,847)</u>	<u>(6,818)</u>
Total other comprehensive loss	<u>(6,123)</u>	<u>(8,100)</u>
Total comprehensive income	<u>\$ 1,320</u>	<u>\$ 1,796</u>

*The accompanying notes are an integral part of these consolidated financial statements*



**LegalZoom.com, Inc.**  
**Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit**  
(In thousands)

	Series A Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2018</b>	23,081	\$70,906	123,617	\$ 124	\$ 92,201	\$ (649,256)	\$ 396	\$ (556,535)
Cumulative-effect adjustment upon adoption of ASC 606	—	—	—	—	—	996	—	996
Issuance of common stock upon exercise of stock options	—	—	1,029	1	193	—	—	194
Issuance of common stock upon vesting of restricted stock awards	—	—	263	—	—	—	—	—
Shares surrendered for settlement of minimum statutory tax withholdings	—	—	(357)	—	(3,784)	—	—	(3,784)
Stock-based compensation	—	—	—	—	5,287	—	—	5,287
Net issuance and repayments of full recourse notes receivable	—	—	—	—	(3)	—	—	(3)
Repurchase and retirement of common stock	—	—	(170)	—	—	(1,535)	—	(1,535)
Repurchase of vested stock options and restricted stock units	—	—	—	—	—	(1,953)	—	(1,953)
Special dividends	—	—	—	—	(978)	—	—	(978)
Other comprehensive loss	—	—	—	—	—	—	(6,123)	(6,123)
Net income	—	—	—	—	—	7,443	—	7,443
<b>Balance at December 31, 2019</b>	23,081	\$70,906	124,382	\$ 125	\$ 92,916	\$ (644,305)	\$ (5,727)	\$ (556,991)
Issuance of common stock upon exercise of stock options	—	—	1,270	1	599	—	—	600
Issuance of common stock upon vesting of restricted stock awards	—	—	245	—	—	—	—	—
Stock-based compensation	—	—	—	—	12,940	—	—	12,940
Shares surrendered for settlement of minimum statutory tax withholdings	—	—	(371)	—	(3,825)	—	—	(3,825)
Net issuance and repayments of full recourse notes receivable	—	—	—	—	(8)	—	—	(8)
Repurchase and retirement of common stock	—	—	(489)	—	—	(4,939)	—	(4,939)
Special dividends	—	—	—	—	(205)	—	—	(205)
Other comprehensive loss	—	—	—	—	—	—	(8,100)	(8,100)
Net income	—	—	—	—	—	9,896	—	9,896
<b>Balance at December 31, 2020</b>	23,081	\$70,906	125,037	\$ 126	\$102,417	\$ (639,348)	\$ (13,827)	\$ (550,632)

*The accompanying notes are an integral part of these consolidated financial statements*

**LegalZoom.com, Inc.**  
**Consolidated Statements of Cash Flows**  
*(In thousands)*

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 7,443	\$ 9,896
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,390	20,097
Amortization of debt issuance costs	2,565	2,591
Amortization of prior hedge effectiveness	—	3,481
Stock-based compensation	5,181	12,894
Impairment of available-for-sale debt securities	—	4,818
Impairment of goodwill and long-lived assets	14,321	1,105
Loss on sale of business	—	1,764
Deferred income taxes	472	1,325
Change in fair value of financial guarantee	1,900	(1,750)
Change in fair value of derivative instruments	439	205
Unrealized foreign exchange gain	(2,572)	(1,755)
Other	(299)	22
Changes in operating assets and liabilities, net of effects of business combination and disposal of business:		
Accounts receivable	(413)	954
Prepaid expenses and other current assets	(128)	(799)
Other assets	470	1,153
Accounts payable	3,914	12,416
Accrued expenses and other liabilities	(1,568)	1,418
Income tax payable	(985)	10
Deferred revenue	5,565	23,204
Net cash provided by operating activities	<u>52,695</u>	<u>93,049</u>
<b>Cash flows from investing activities</b>		
Acquisition, net of cash acquired	—	(934)
Purchase of property and equipment	(18,349)	(10,587)
Purchase of other equity security	(668)	—
Purchase of available-for-sale debt securities	(2,013)	—
Proceeds from sale of equity method investment	313	—
Sale of business, net of cash sold	—	(1,206)
Net cash used in investing activities	<u>(20,717)</u>	<u>(12,727)</u>
<b>Cash flows from financing activities</b>		
Repayment of capital lease obligations	(26)	(31)
Repayment of 2018 Term Loan	(5,350)	(5,350)
Proceeds from 2018 Revolving Facility	—	40,000
Repayment of 2018 Revolving Facility	—	(40,000)
Repayment of hybrid debt	—	(1,249)
Repurchase of common stock	(1,535)	(4,805)
Tender offer costs	—	(145)
Repurchase of common stock and restricted stock units	(927)	—
Payment of special dividends	(877)	(284)

*The accompanying notes are an integral part of these consolidated financial statements*

**LegalZoom.com, Inc.**  
**Consolidated Statements of Cash Flows (continued)**  
*(In thousands)*

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
Payment of deferred purchase consideration	(547)	—
Repurchases of common stock for tax withholding obligations	(3,784)	(3,606)
Proceeds from exercise of stock options	194	381
Net cash used in financing activities	<u>(12,852)</u>	<u>(15,089)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalent	(495)	57
Net increase in cash, cash equivalents and restricted cash equivalent	18,631	65,290
Cash, cash equivalents and restricted cash equivalent, at beginning of the period	55,549	74,180
<b>Cash, cash equivalents and restricted cash equivalent, at end of the period</b>	<b><u>\$ 74,180</u></b>	<b><u>\$ 139,470</u></b>
<b>Supplemental cash flow data</b>		
Cash paid during the year for:		
Interest	\$ 37,276	\$ 27,864
Income taxes	1,469	1,485
<b>Reconciliation of cash, cash equivalents, and restricted cash equivalent reported in the consolidated balance sheets</b>		
Cash and cash equivalents	\$ 49,180	\$ 114,470
Restricted cash equivalent	25,000	25,000
Total cash, cash equivalents, and restricted cash equivalent shown in the consolidated statements of cash flows	<u>\$ 74,180</u>	<u>\$ 139,470</u>
<b>Non-cash investing and financing activities</b>		
Purchase of property and equipment included in accounts payable and accrued expenses and other current liabilities	\$ 1,268	\$ 717
Conversion of available-for-sale debt security into other equity security	791	—
Change in fair value of hedged interest rate swaps and interest rate cap	5,234	412
Transfer of interest rate swaps derivative liability to hybrid debt	—	12,345
Contingent consideration for business acquired	—	1,250

*The accompanying notes are an integral part of these consolidated financial statements*

**LegalZoom.com, Inc.**  
**Notes to Consolidated Financial Statements**  
*(In thousands)*

**Note 1. Description of the Business**

LegalZoom.com, Inc., was initially formed as a California corporation in 1999 and reincorporated as a Delaware corporation in 2007. LegalZoom.com, Inc., and its wholly owned subsidiaries, or referred to herein as “we,” “us,” or “our” has its executive headquarters in Glendale, California, its operational headquarters in Austin, Texas and additional locations in Frisco, Texas and London in the United Kingdom, or U.K. We are a provider of services that meet the legal needs of small businesses and consumers. We offer a broad portfolio of legal services through our online legal platform that customers can tailor to their specific needs. In the United States, or U.S., we also offer several subscription services, including legal plans through which businesses and consumers can be connected to an experienced attorney licensed in their jurisdiction, registered agent services, tax and compliance services and unlimited access to our forms library.

**Note 2. Summary of Significant Accounting Policies**

A summary of the significant accounting policies we follow in the preparation of the accompanying consolidated financial statements is set forth below.

*Basis of Presentation and Consolidation*

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, or GAAP. All intercompany balances and transactions have been eliminated in consolidation.

On occasion, we enter into relationships or investments with other entities that may be a variable interest entity, or VIE. We analyze our interests, including agreements, loans, guarantees, and equity investments on a periodic basis to determine if such interests are variable interests. If variable interests are identified, then the related entity is assessed to determine if it is a VIE. If we determine that the entity is a VIE, we then assess if we must consolidate the VIE as the primary beneficiary. Our determination of whether we are the primary beneficiary is based upon qualitative and quantitative analyses, which assess the purpose and design of the VIE, the nature of the VIE’s risks and the risks that we absorb, the power to direct activities that most significantly impact the economic performance of the VIE, and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, however not limited to, revenue recognition, sales allowances and credit reserves, available-for-sale debt securities, valuation of long-lived assets and goodwill, income taxes, commitments and contingencies, valuation of assets and liabilities acquired in business combinations, fair value of derivative instruments and stock-based compensation. Actual results could differ materially from those estimates.

The extent to which COVID-19 impacts our business and financial results will depend on numerous continuously evolving factors including, but not limited to, the magnitude and duration of COVID-19, including resurgences; the impact on our employees; the extent to which it will impact worldwide macroeconomic conditions, including interest rates, employment rates, and health insurance coverage; the speed and degree of the anticipated recovery, as well as variability in such recovery across different geographies, industries, and markets;

and governmental and business reactions to the pandemic. We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of COVID-19 as of December 31, 2020 and through the date of issuance of these consolidated financial statements. The accounting matters assessed included, but were not limited to, our allowance for doubtful accounts, sales allowances, and the carrying value of goodwill and other long-lived assets. While there was not a material impact on our consolidated financial statements at and for the year ended December 31, 2020, our future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to our consolidated financial statements in future reporting periods.

#### *Business Combinations*

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess purchase consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed for an acquisition and allocate the purchase price to their respective net tangible and intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. We generally engage the assistance of a third-party valuation firm in determining fair values of assets acquired and liabilities assumed and contingent consideration, if any, in a business combination.

Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expenses in the accompanying consolidated statements of operations.

#### *Segment and Geographic Information*

Our Chief Executive Officer, as the Chief Operating Decision Maker, or CODM, organizes our company, manages resource allocations, and measures performance on the basis of one operating segment.

Revenue outside of the United States, based on the location of the customer, represented 4% and 1% of our consolidated revenue for 2019 and 2020, respectively. Our property and equipment located outside of the United States was 3% and 1% of our consolidated property and equipment as of December 31, 2019 and 2020, respectively.

#### *Foreign Currency*

The British Pound Sterling, or GBP, is the functional currency for our foreign subsidiaries. The financial statements of these foreign subsidiaries are translated to U.S. Dollars using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for the period for revenue and expenses. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of our consolidated statements of redeemable convertible preferred stock and stockholders' deficit. We recognized foreign currency transaction gains of \$2.6 million and \$1.8 million in 2019 and 2020, respectively.

#### *Fair Value Measurements*

Fair value is defined as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair

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value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

- Level 1 — Quoted prices in active markets for identical assets and liabilities.
- Level 2 — Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At December 31, 2019 and 2020, our financial assets and liabilities recorded at fair value on a recurring basis consist of cash equivalents, a restricted cash equivalent, available-for-sale debt securities, interest rate swaps, an interest rate cap and a financial guarantee derivative. Cash equivalents and the restricted cash equivalent consist of money market funds valued using quoted prices in active markets, which represents Level 1 inputs in the fair value hierarchy. Our interest rate swaps and interest rate cap are valued using observable market inputs including the London Interbank Offered Rate, or LIBOR, swap rates and third-party dealer quotes, which represent Level 2 inputs in the fair value hierarchy. The available-for-sale debt securities and financial guarantee derivative are valued using a Monte Carlo simulation, which include inputs that represent Level 3 inputs in the fair value hierarchy.

The carrying amounts of accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair values because of the short-term nature of these items. The fair value of our long-term debt is estimated by using quoted or sales prices of similar debt instruments, which represent Level 2 inputs in the fair value hierarchy.

### *Concentrations of Credit Risk*

We maintain accounts in U.S. and U.K. banks with funds insured by the Federal Deposit Insurance Corporation, or FDIC, and the Financial Services Compensation Scheme, or FSCS, respectively. Our bank accounts may, at times, exceed the FDIC and FSCS insured limits. Financial instruments that potentially subject us to credit risk consist principally of cash and cash equivalents. Management believes that we are not exposed to any significant credit risk related to our cash or cash equivalents and have not experienced any losses in such accounts.

Due to a large and diverse customer base, no individual customer represented more than 1% of total revenue in 2019 or 2020, respectively. At December 31, 2019 and 2020, there was one customer with an outstanding balance of 26% and 20% of our accounts receivable balances, respectively.

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments with original maturities of ninety days or less from the date of purchase. At December 31, 2019, and 2020, our cash consisted of bank account deposits and our cash equivalents consisted of \$5.1 million and \$5.2 million invested in money market funds, respectively.

### *Restricted Cash Equivalent*

Our restricted cash equivalent balance of \$25.0 million as of December 31, 2019 and 2020 represents cash required to be held as collateral by a financial institution to guarantee up to half of a \$50.0 million personal loan provided by the financial institution to a former executive officer. The restriction lapses upon the repayment of the personal loan, which matures in September 2022. At December 31, 2019 and 2020, our restricted cash equivalent of \$25.0 million was invested in a money market fund with the same financial institution.

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### *Accounts Receivable and Related Allowances*

Our accounts receivable balance, which is not collateralized and does not bear interest, primarily consists of amounts receivable from our credit and debit card merchant processors, customer receivables, and fees due from third-parties for services purchased by our customers from such third-parties. We reduce our accounts receivable for sales allowances and a reserve for potentially uncollectible receivables. We determine the amount of the allowances based on various factors including historical collection experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect our ability to collect from customers. Account balances are charged off against the allowance when we determine that it is not probable we will collect the receivable.

### *Property and Equipment*

Property and equipment are stated at cost, less accumulated depreciation. Repairs and maintenance are expensed as incurred whereas significant renewals and enhancements are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reflected in our results of operations. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Useful Life (Years)</u>
Purchased and internal-use software	3
Building and building improvements	5–30
Land improvements	7
Furniture and office equipment	5
Computer hardware	3
Land	Indefinite
Leasehold improvements	Shorter of lease term or useful life

### *Internal-use Software*

Software development costs include costs to develop software to be used to meet internal needs and applications used to deliver our services. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed and the software will be used to perform the function intended. We amortize internal-use software costs on a straight-line basis over their estimated useful life of three years commencing when the internal-use software is substantially complete and ready for its intended purpose. Costs related to development of internal-use software are included in the accompanying consolidated balance sheets in property and equipment, net.

### *Intangible Assets and Other Long-Lived Assets*

Intangible assets are stated at cost, net of accumulated amortization. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, which approximates the pattern in which the economic benefits are consumed. We amortize our intangible assets over an estimated useful life of three years.

We assess the impairment of long-lived assets, which consist primarily of property and equipment, intangible assets, and capitalized internal-use software costs, whenever events or changes in circumstances indicate that such assets might be impaired and the carrying value may not be recoverable. Impairment testing is performed at an asset level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, or an asset group. If an asset group is considered impaired, an impairment loss equal to the excess of the asset group's carrying value over their fair value is

recorded. Fair value is determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risk involved, quoted market prices, or appraised values, depending on the nature of the assets.

#### *Goodwill*

Goodwill represents the excess of the aggregate fair value of the consideration transferred in a business combination over the fair value of the assets acquired, net of liabilities assumed. Goodwill is not amortized, however, it is subject to impairment testing at the reporting unit level annually during the fourth quarter of our fiscal year or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

In assessing impairment, we have the option to first assess qualitative factors to determine whether or not a reporting unit is impaired. Alternatively, we may perform a quantitative impairment assessment or if the qualitative assessment indicates that it is more-likely-than-not that the reporting unit's fair value is less than its carrying amount, a quantitative analysis is required. The quantitative analysis compares the estimated fair value of the reporting unit with its respective carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount including goodwill, goodwill is considered not to be impaired. If the fair value is less than the carrying amount including goodwill, then a goodwill impairment charge is recorded by the amount that the carrying value exceeds the fair value, up to the carrying amount of goodwill.

#### *Derivative Financial Instruments*

Derivative financial instruments, which include interest rate swaps, an interest rate cap, and a financial guarantee relating to a former executive officer, are recorded at fair value. For derivatives that qualify for hedge accounting, specifically as cash flow hedges, the change in fair value of the derivatives is recorded as an unrealized gain (loss), net of taxes, in the accompanying consolidated statements of comprehensive income. For derivatives that do not qualify for hedge accounting, the change in the fair value of our derivatives related to our long-term debt are recorded in interest expense, net, and the change in the fair value of our financial guarantee is recorded in other income, net, in the accompanying consolidated statements of operations.

#### *Available-for-sale Debt Securities*

At December 31, 2019 and 2020, we held long-term investments in two companies through the purchase of convertible promissory notes. These investments are classified as available-for-sale debt securities and the changes in fair values of these securities are recognized in other comprehensive loss, net of tax, in the accompanying consolidated statements of comprehensive income. We periodically review our available-for-sale debt securities to determine if there has been an other-than-temporary decline in fair value. If the impairment is deemed other-than-temporary, the portion of the impairment related to credit losses is recognized in the accompanying consolidated statements of operations, and the portion related to non-credit related losses is recognized in other comprehensive loss. In 2020, we recorded an other-than-temporary impairment of an available-for-sale debt security of \$4.9 million, of which \$4.8 million was recognized as other expense in our statement of operations and \$0.1 million was recognized in other comprehensive loss.

#### *Equity Method Investments*

We have investments in common stock or in-substance common stock of certain entities. Investments through which we exercise significant influence but do not have control over the affiliates are accounted for under the equity method. Our proportional share of affiliate earnings or losses are included in income from equity method investment in our consolidated statements of operations. Losses in affiliates are recorded until the carrying value of our investment is reduced to zero. Investments accounted for under the equity method are not material, individually or in the aggregate, to our financial position, results of operations or cash flows for any period presented.



#### *Investments in Other Equity Securities*

We hold investments in equity securities of certain privately held companies, which do not have readily determinable fair values. We have elected to measure these non-marketable investments at cost, with remeasurements to fair value only upon the occurrence of observable price changes in orderly transactions for the identical or similar securities of the same issuer, or in the event of any impairment. This election is reassessed each reporting period to determine whether a non-marketable equity security has a readily determinable fair value, in which case they would no longer be eligible for this election. We evaluate our non-marketable equity securities for impairment at each reporting period based on a qualitative assessment that considers various potential impairment indicators. If an impairment exists, a loss is recognized in the consolidated statements of operations for the amount by which the carrying value exceeds the fair value of the investment. We include investments in equity securities within other assets in the accompanying consolidated balance sheets.

#### *Operating and Capital Leases*

For operating leases, we record rent expense on a straight-line basis over the lease term. Some of our lease arrangements provide for concessions by the landlords, including payments for leasehold improvements and rent-free periods. We account for the difference between the straight-line rent expense and rent paid as a deferred rent liability.

We also lease certain equipment under capital lease arrangements. The assets and liabilities under capital lease are recorded at the lesser of the present value of aggregate future minimum lease payments, including estimated bargain purchase options, or the fair value of the asset under lease. Assets under capital leases are amortized using the straight-line method over the estimated useful lives of the assets. Capital lease obligations, which are not material as of December 31, 2019 and 2020, are included in other liabilities in the accompanying consolidated balance sheets.

#### *Debt Issuance Costs*

Debt issuance costs associated with our term loans are deducted from the carrying value of current and long-term debt in the accompanying consolidated balance sheets and are amortized over the term of the loan using the effective interest method. Debt issuance costs associated with revolving facilities are classified as other assets in the accompanying consolidated balance sheets and are amortized over the term of the respective facility on a straight-line basis. Debt issuance costs are amortized to interest expense, net in the accompanying consolidated statements of operations.

#### *Deferred Offering Costs*

We record certain legal, accounting, and other third-party fees in other assets that are directly associated with in-process equity financings until such financings are consummated. After consummation, these costs are recorded in stockholders' deficit as a reduction from the proceeds of the offering. Should the equity financing no longer be considered probable of being consummated, the deferred offering costs are expensed in the consolidated statements of operations within income from operations. In 2019, we expensed \$3.7 million related to a stock offering, which was not consummated. There were no deferred offering costs as of December 31, 2020.

#### *Revenue Recognition*

We derive our revenue from the following sources:

*Transaction revenue*—Transaction revenue is primarily generated from our customized legal document services upon fulfillment of these services. Transaction revenue includes filing fees and is net of cancellations, promotional discounts and sales allowances. Until April 2020, when we ceased providing such services, we also

generated transaction revenue from our residential and commercial conveyancing business in the United Kingdom and revenue for these services was recognized when delivered to the customer. In addition, until July 2019, when we ceased providing such services, we generated revenue from litigation services in the United Kingdom, and we recognized this revenue based on the time incurred by the attorneys at their market billing rates. In 2020, we commenced providing tax advice and filing services in the United States, which are recognized at the point in time when the customer's tax return is filed and accepted by the applicable government authority.

*Subscription revenue*—Subscription revenue is generated primarily from subscriptions to our registered agent services, compliance packages, attorney advice, and legal forms services, in addition to software-as-a-service, or SaaS, subscriptions in the United Kingdom. In the fourth quarter of 2020, we commenced providing tax, bookkeeping and payroll subscription services. We recognize revenue from our subscriptions ratably over the subscription term. Subscription terms generally range from thirty days to one year. Subscription revenue includes the value allocated to bundled free-trials for our subscription services and is net of promotional discounts, cancellations, sales allowances and credit reserves and payments to third-party service providers such as legal plan law firms and tax service providers.

*Partner revenue*—Partner revenue consists primarily of one-time or recurring fees earned from third-party providers from leads generated to such providers through our online legal platform. Revenue is recognized when the related performance-based criteria have been met. We assess whether performance criteria have been met on a cost-per-click or cost-per-action basis.

Revenue from our transaction, subscription and partner revenue is as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Transaction	\$ 168,305	\$ 212,114
Subscription	206,447	229,840
Partner	33,628	28,682
Total revenue	<u>\$ 408,380</u>	<u>\$ 470,636</u>

We adopted Financial Accounting Standards Board, or FASB, Accounting Standard Codification, or ASC, No. 606, *Revenue from Contracts with Customers*, or ASC 606, on a modified retrospective basis on January 1, 2019. The adoption of ASC 606 resulted in a cumulative adjustment to accumulated deficit of \$1.0 million. We determine revenue recognition through the following five steps: identification of a contract with a customer; identification of the performance obligations in the contract; determination of the transaction price; allocation of the transaction price to the performance obligations in the contract; and recognition of revenue when or as the performance obligations are satisfied.

Our customers generally pay for transactions in advance by credit or debit card except for certain services provided under installment plans where we allow customers to pay for their order in two or three equal payments. The first installment due under the installment plans is charged to the customer's debit or credit card on the date the order is placed, and the remaining installments are generally charged on a monthly basis thereafter. We recognize revenue for the amount we expect to be entitled to for providing the services to our customers. The total fees collected by us for our services include, as applicable, expedited services fees, government filing fees, and shipping fees.

Subscription services are generally paid monthly or annually in advance of the subscription period except for SaaS services in the United Kingdom which are invoiced monthly in arrears. Amounts collected in advance of revenue recognition are recorded in deferred revenue. Customers may pay for services, however, may not provide the necessary information to complete a transaction. We attempt to contact the customer to complete the abandoned order. We recognize revenue on abandoned services, or breakage, when it is likely to occur and the

amount can be recognized without significant risk of reversal. We recognize breakage in proportion to the pattern of rights exercised by the customer. Judgment is required to determine the amount of breakage and when breakage is likely to occur, which we estimate based on historical data of breakage for similar services.

Services we offer can generally either be purchased on a stand-alone basis or bundled together as part of a package of services. Accordingly, a significant number of our arrangements include multiple performance obligations, such as the preparation of legal documents combined with related document revision, document storage, registered agent services, and free trial periods of our legal plans. At contract inception, we assess the services promised in our contracts with customers and identify performance obligations for each promise to transfer to the customer a service or bundle of services that is distinct. The identification of distinct performance obligations within our packages may require significant judgment.

The transaction price allocated to each separate performance obligation represents the amount of consideration to which we expect to be entitled in exchange for the services we provide. The transaction price is based on the contractual amounts in our contracts and is reduced for estimated sales allowances for price concessions, charge-backs, sales credits and refunds, which are accounted for as variable consideration when estimating the amount of revenue to recognize. We only include variable consideration in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. We estimate sales allowances using the expected value method. We recognize a liability or a reduction of accounts receivable, and a reduction to revenue based on the estimated amount of sales allowances. We record sales allowances as a reduction of accounts receivable where we expect not to collect the full amount of the outstanding accounts receivable and we record sales allowances as a liability for estimated refunds or credits where we have collected the amounts due from the customer. We have established a sufficient history of estimating sales allowances given the large number of homogeneous transactions. The majority of our allowances and reserves are known within a relatively short period of time following our balance sheet date. The estimated provision for sales allowances has varied from actual results within ranges consistent with management's expectations. The transaction price excludes sales taxes.

Contracts with our customers may include options to purchase additional future services, and in the case of subscription services, options to auto-renew the subscription service. Additional consideration attributable to either the option to purchase additional future services or the option to renew are excluded from the transaction price until such time that the option is exercised, unless these options provide a material right to the customer.

For arrangements that contain multiple performance obligations, such as our bundled arrangements, we allocate the transaction price to each performance obligation based on estimates of the standalone selling price of each performance obligation within the bundle. For the services we sell on a standalone basis, we use the sales price of these services in the allocation of the transaction price in bundled arrangements. Where we do not sell the service on a standalone basis, we estimate the standalone selling price based on the adjusted market assessment approach or the expected cost plus a margin approach when market information is not observable. In these cases, the determination of the standalone selling price may require significant judgment.

We recognize revenue when we satisfy the performance obligation by transferring the promised good or service to the customer. For our transaction-based services, we generally recognize revenue at a point-in-time when the services are delivered to the customer. For our subscription-based services we recognize revenue on a straight-line basis over the subscription term. For our partner-based services, we recognize revenue at a point-in-time when the related performance-based criteria have been met.

We do not have significant financing components in arrangements with our customers.

#### *Principal Agent Considerations*

In certain of our arrangements, another party may be involved in providing services to our customer. We evaluate whether we can recognize revenue gross as a principal or net as an agent. We record revenue on a gross

basis when we are the principal in the arrangement. To determine whether we are a principal or an agent, we identify the specified good or service to be provided to the customer and assess whether we control the specified good or service before that good or service is transferred to the customer. We evaluate a number of indicators of whether we control the good or service before it is transferred to the customer, including whether we have primary fulfillment responsibility and obligation to perform the services being sold to the customer; we have latitude in establishing the sales price; and we have inventory risk.

In arrangements in which we are the principal, we record as revenue the amounts we have billed to our customer, net of sales allowance, and we record the fee payable to the third-party as cost of revenue. We are the principal in most of our legal document preparation and registered agent services, including legal entity formations and similar arrangements and conveyancing and formation services in the United Kingdom. For these services, revenue includes filing and similar fees.

In arrangements in which we are not the principal, we record revenue on a net basis, which is equal to the amount billed to our customer, net of sales allowances and the fee payable to the third-party or partner that is primarily responsible for performing the services for the customer. We are not a law firm in the United States and cannot provide legal advice through our U.S. entities, therefore the participating independent law firms in our legal plans control the service to the customer and have the primary service obligation to provide attorney consultations to our customers, for which we pay the law firms a monthly fee. For these arrangements, we recognize revenue on a net basis as an agent. Since 2016, our Alternative Business Structure, or ABS, subsidiary in the United Kingdom began offering legal advisory services that were marketed through our website. Our ABS provides independent legal advice to our customers and is directly responsible for, and controls the fulfillment of, the legal services. Accordingly, for services provided by our ABS, we recognize revenue as the principal. For other services provided by third parties, including deed transfer, accounting, tax, credit monitoring, business data protection and logo design services, revenue is recognized net of fees payable to third parties. For partner revenue, we receive a fee for the referral of our customer to the partner or we retain a portion of the fee paid by the customer and share the remainder with the partner. Our partner controls the service to the customer and the partner is responsible for fulfilling the referred service to the customer; accordingly, we recognize revenue for these arrangements on a net basis.

Revenue includes shipping and handling fees charged to customers.

#### *Cost of Revenue*

Cost of revenue includes all costs of providing and fulfilling our services. Cost of revenue primarily includes government filing fees; costs of fulfillment, customer care, including the cost of credentialed professionals for tax, bookkeeping and payroll services, and related benefits, including stock-based compensation, and costs of independent contractors for document preparation; telecommunications and data center costs, amortization of acquired developed technology, depreciation and amortization of network computers, equipment and internal-use software; printing, shipping and handling charges; credit and debit card fees; allocated overhead; legal document kit expenses; and sales and use taxes. We defer direct and incremental costs primarily related to government filing fees incurred prior to the associated service meeting the criteria for revenue recognition. These contract assets are recognized as cost of revenue in the same period the related revenue is recognized. At December 31, 2019 and 2020, there was \$1.9 million and \$2.0 million, respectively, in deferred cost of revenue included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. Filing fees of \$50.7 million and \$64.5 million were recorded in cost of revenue in the accompanying consolidated statements of operations for 2019 and 2020, respectively.

#### *Sales and Marketing Expenses*

Sales and marketing expenses consist of customer acquisition media costs; compensation and related benefits, including stock-based compensation for marketing and sales personnel; media production; public relations and other promotional activities; general business development activities; an allocation of depreciation and amortization and allocated overhead. Customer acquisition media costs consist primarily of search engine

marketing, television and radio costs. Marketing and advertising costs to promote our services are expensed in the period incurred. Media production costs are expensed the first time the advertisement is aired. Advertising expenses were \$67.2 million and \$119.2 million for 2019 and 2020, respectively.

#### *Technology and Development Expenses*

Technology and development expenses consist primarily of personnel costs and related benefits, including stock-based compensation, expenses for outside consultants, an allocation of depreciation and amortization and allocated overhead. These expenses include costs incurred in the development and implementation of our websites, mobile applications, online legal platform, research and development and related infrastructure. Technology and development expenses are expensed as incurred, except to the extent that such costs are associated with internal-use software costs that qualify for capitalization as previously described under *Internal-use Software*.

#### *General and Administrative Expenses*

Our general and administrative expenses relate primarily to compensation and related benefits, including stock-based compensation, for executive and corporate personnel, professional and consulting fees, an allocation of depreciation and amortization, allocated overhead and legal costs.

#### *Stock-based Compensation*

We estimate the fair value of employee stock-based payment awards on the grant-date and recognize the resulting fair value, net of estimated forfeitures, over the requisite service period. We use the Black-Scholes option pricing model for estimating the fair value of options granted under our stock option plans that vest based on service and performance conditions. The fair value of restricted stock units, or RSUs, that vest based on service and performance conditions is determined based on the value of the underlying common stock at the date of grant. For awards that contain market conditions, we estimate the fair value using a Monte Carlo simulation model. We record expense for awards that contain performance conditions only to the extent that we determine it is probable that the performance condition will be achieved. Expense for awards containing market conditions is not reversed even if the market condition is not achieved. We have elected to treat stock-based payment awards with graded vesting schedules and time-based service conditions as a single award and recognize stock-based compensation on a straight-line basis, net of estimated forfeitures, over the requisite service period. Awards with performance or market conditions are recognized using graded vesting.

The Black-Scholes option pricing model and the Monte Carlo simulation model requires us to make certain assumptions including the fair value of the underlying common stock, the expected term, the expected volatility, the risk-free interest rate and the dividend yield.

The fair value of the shares of common stock underlying the stock options has historically been determined by the Board of Directors. Because there has been no public market for our common stock, the Board of Directors has determined the fair value of the common stock at the time of the grant of options and RSUs by considering a number of objective and subjective factors including valuation of comparable companies, sales of common stock to unrelated third parties, operating and financial performance and general and industry-specific economic outlook, amongst other factors. The fair value of the underlying common stock will be determined by the Board of Directors until such time as and if our common stock is listed on an established stock exchange or national market system. The fair value was determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants titled *Valuation of Privately Held Company Equity Securities Issued as Compensation*.

The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. The expected term of options granted is estimated based upon actual historical exercise and post-vesting cancellations, adjusted for expected future exercise behavior.

Because our common stock has no publicly traded history, we estimate the expected volatility from the historical volatility of selected public companies with comparable characteristics to us, including similarity in size, lines of business, market capitalization and revenue and financial leverage. We determine the expected volatility assumption using the frequency of daily historical prices of comparable public company's common stock for a period equal to the expected term of the options. We periodically assess the comparable companies and other relevant factors used to measure expected volatility for future stock option grants.

The risk-free interest rate assumption is based upon observed interest rates on the U.S. government securities appropriate for the expected term of our stock options.

The dividend yield assumption is based on our history and expectation of dividend payouts. Other than the special dividends declared in periods prior to these financial statements, which resulted in corresponding reductions in the exercise price of the stock options, we have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future.

Stock-based compensation expense is recognized based on awards that are ultimately expected to vest.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on our historical experience and future expectations.

The determination of stock-based compensation is inherently uncertain and subjective and involves the application of valuation models and assumptions requiring the use of judgment. If we had made different assumptions, our stock-based compensation expense, and our net income for 2019 and 2020, may have been materially different.

#### *Loss Contingencies*

We record loss contingencies in our consolidated financial statements in the period when they are probable and reasonably estimable. If the amount is probable and we are able to reasonably estimate a range of loss, we accrue the amount that is the best estimate within that range, and if no amount is better than any other in the range, we record the amount at the low end in the range. We disclose those contingencies that we believe are at least reasonably possible but not probable regardless of whether they are reasonably estimable. The likelihood of a loss is determined using several factors including the nature of the matter, advice of our internal and external counsel, previous experience and historical and relevant information available to us. The determination of the likelihood of loss or the range of loss requires significant management judgment. We expense legal costs for defending legal proceedings as incurred.

#### *Income Taxes*

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements. Deferred income tax assets and liabilities are measured using enacted tax rates anticipated to be in effect when those tax assets and liabilities are expected to be realized or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of operations in the period that includes the enactment date.

We make judgments in evaluating whether deferred tax assets will be recovered from future taxable income. A valuation allowance is established if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risk associated with estimates of future taxable income in assessing the need for a valuation allowance. If our assumptions and consequently our estimates, change in the future, the valuation allowance may be increased or decreased, resulting in an increase or decrease, which may be material, to our provision for income taxes and the related impact on our net income.

We recognize tax benefits from an uncertain position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits. If this threshold is met, we measure the tax benefit as the largest amount of the benefit that is greater than fifty percent likely to be realized upon ultimate settlement. We recognize penalties and interest accrued with respect to uncertain tax positions as a component of the income tax provision. At December 31, 2019 and 2020, accrued penalties and interest related to uncertain tax positions were not material.

#### *Net Income Per Share Attributable to Common Stockholders*

We apply the two-class method for calculating net income per share. Under the two-class method, in periods where we generate net income, net income is allocated between common stock and other participating securities based on their participation rights. Our participating securities consist of redeemable convertible preferred stock, which participate in dividends, if declared. For periods in which we report a net loss, the participating securities are not contractually obligated to share in our losses, and accordingly, no loss is allocated to the participating securities. Basic net income per share is calculated by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding, net of unvested restricted stock, if any, during the period. We compute diluted net income per share under the two-class method where income is reallocated between common stock, potential common stock and participating securities. Potential common stock includes stock options, restricted stock and RSUs computed using the treasury stock method.

#### *Recent Accounting Pronouncements*

Under the *Jumpstart our Business Startups Act*, or JOBS Act, we meet the definition of an emerging growth company. We have elected to use the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies. To the extent that we no longer qualify as an emerging growth company we will be required to adopt certain accounting pronouncements earlier than the adoption dates disclosed below which are for non-public business entities.

#### *Recently Adopted Accounting Pronouncements*

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The guidance simplifies the accounting for share-based payments made to non-employees so the accounting for such payments is substantially the same as those made to employees. The Update is effective for our fiscal year beginning January 1, 2020 and interim periods within our fiscal year beginning after January 1, 2021. Early adoption is permitted, however, no earlier than the adoption date of ASC 606. We adopted this Update on January 1, 2020. The adoption of this Update did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The Update modifies the disclosure requirements in Topic 820, *Fair Value Measurement*, by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements, such as disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and disclosing the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The Update is effective for our annual and interim periods beginning on January 1, 2020. We adopted this Update on January 1, 2020. The adoption of this Update did not have a material impact on our consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark for Hedge*

*Accounting Purposes.* This Update permits use of the overnight index swap rate based on the secured overnight financing rate as a U.S. benchmark interest rate for hedge accounting purposes. The Update is effective for our fiscal year beginning on January 1, 2020, concurrently with ASU 2017-12. We adopted this Update on January 1, 2020. The adoption of this Update did not have a material impact on our consolidated financial statements.

*Accounting Pronouncements Not Yet Adopted*

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, or ASU 2016-02. The guidance requires lessees to recognize most leases as right of use assets and lease liabilities on the balance sheet and also requires additional qualitative and quantitative disclosures to enable users to understand the amount, timing and uncertainty of cash flows arising from leases. The original guidance required application on a modified retrospective basis to the earliest period presented. In August 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which includes an option to not restate comparative periods in transition, however, to elect to use the effective date of ASU 2016-02, as the date of initial application of transition. In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which made further targeted improvements including clarification regarding the determination of fair value of lease assets and liabilities and statement of cash flows and presentation guidance. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which extended the effective date of this guidance for non-public entities to fiscal years beginning after December 15, 2021. The Update is effective for our annual reporting period beginning on January 1, 2022. We are currently evaluating the impacts the adoption of these Updates will have on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, or ASU 2016-13, as amended, which revises the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses on financial instruments, including, but not limited to, available-for-sale debt securities and accounts receivable. These Updates are effective for our annual reporting period beginning on January 1, 2023. We are currently evaluating the impacts the adoption of these Updates will have on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, that provides optional relief to applying reference rate reform to contracts, hedging relationships, and other transactions that reference LIBOR, which will be discontinued by the end of 2021. Also, in January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848)—Scope*, to clarify that cash flow hedges are eligible for certain optional expedients and exceptions for the application of subsequent assessment methods to assume perfect effectiveness as previously presented in ASU 2020-04. The amendments in these Updates are effective immediately and may be applied through December 31, 2022. We are currently evaluating the impacts the adoption of these Updates will have on our consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This Update simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740, *Income Taxes* as well as by improving consistent application of the topic by clarifying and amending existing guidance. This standard is effective for our annual reporting period beginning on January 1, 2022, with early adoption permitted. We are currently evaluating the impact the adoption of the Update will have on our consolidated financial statements.



**Note 3. Net Income Per Share Attributable to Common Stockholders**

The following table shows the computation of basic and diluted net income per share attributable to common stockholders (in thousands, except per share amounts):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
<b>Numerator:</b>		
Net income	\$ 7,443	\$ 9,896
Less: amounts attributable to redeemable convertible preferred stock	(2,021)	(2,674)
Net income attributable to common stockholders—basic	5,422	7,223
Add: undistributed earnings reallocated to common stockholders	54	39
Net income attributable to common stockholders—diluted	<u>\$ 5,476</u>	<u>\$ 7,262</u>
<b>Denominator:</b>		
Weighted-average common stock used in computing net income per share attributable to common stockholders—basic	123,826	124,709
Effect of potentially dilutive securities:		
Stock options	4,161	2,444
Restricted stock units	559	106
Weighted-average common stock used in computing net income per share attributable to common stockholders—diluted	<u>128,546</u>	<u>127,259</u>
Net income per share attributable to common stockholders—basic	<u>\$ 0.04</u>	<u>\$ 0.06</u>
Net income per share attributable to common stockholders—diluted	<u>\$ 0.04</u>	<u>\$ 0.06</u>

The following table presents the number of options, restricted stock units and restricted stock excluded from the calculation of diluted net income per share attributable to common stockholders because they are anti-dilutive (in thousands):

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
Options to purchase common stock	7,256	12,529
Restricted stock units	884	2,235
Restricted stock	200	100
Total	<u>8,340</u>	<u>14,864</u>

**Note 4. Other Financial Statement Information**

*Accounts Receivable*

Changes in the allowance consisted of the following (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
<b>Beginning balance</b>	\$ 1,939	\$ 2,461
Add: amounts recognized as a reduction of revenue	2,996	6,493
Add: bad debt expense recognized in general and administrative expense	—	2,170
Less: write-offs, net of recoveries	(2,474)	(5,868)
<b>Ending balance</b>	<u>\$ 2,461</u>	<u>\$ 5,256</u>

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The allowance recognized as a reduction of revenue primarily relates to our installment plan receivables for which we expect we will not be entitled to a portion of the transaction price based on our historical experience with similar transactions. The allowance recognized against general and administrative expense represents an allowance relating to receivables from partners that are no longer considered collectible.

*Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of December 31,	
	2019	2020
Prepaid expenses	\$ 6,659	\$ 7,177
Deferred cost of revenue	1,860	1,967
Other current assets	1,572	1,392
Total prepaid expenses and other current assets	<u>\$10,091</u>	<u>\$ 10,536</u>

*Accrued Expenses and Other Current Liabilities*

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

	As of December 31,	
	2019	2020
Accrued payroll and related expenses	\$ 12,551	\$ 16,135
Accrued vendor payables	11,610	10,854
Derivative liabilities and hybrid debt	1,655	5,131
Sales allowances	4,651	4,856
Accrued sales, use and business taxes	1,773	1,789
Accrued advertising	1,057	173
Other	3,129	2,090
Total accrued expenses and other current liabilities	<u>\$36,426</u>	<u>\$ 41,028</u>

Changes in sales allowances relating to charge-backs, sales credits and refunds consisted of the following (in thousands):

	Year Ended December 31,	
	2019	2020
<b>Beginning balance</b>	\$ 4,483	\$ 4,651
Add: increase in sales allowances	10,387	9,976
Less: utilization of reserves	(10,219)	(9,771)
<b>Ending balance</b>	<u>\$ 4,651</u>	<u>\$ 4,856</u>

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### *Depreciation and Amortization*

Depreciation and amortization expense of our property and equipment, including capitalized internal-use software, and intangible assets consisted of the following (in thousands):

	Year Ended December 31,	
	2019	2020
Cost of revenue	\$ 6,773	\$ 8,324
Sales and marketing	6,469	6,913
Technology and development	1,055	2,800
General and administrative	2,093	2,060
Total depreciation and amortization expense	<u>\$ 16,390</u>	<u>\$ 20,097</u>

### *Deferred revenue*

Deferred revenue as of December 31, 2019 and 2020 was \$106.7 million and \$130.1 million, respectively. Revenue recognized in 2019 and 2020 that was included in deferred revenue at the beginning of the year was \$99.8 million and \$103.5 million, respectively. We expect to recognize substantially all of the deferred revenue as of December 31, 2020 as revenue in 2021.

We have omitted disclosure about the transaction price allocated to remaining performance obligations and when revenue will be recognized as revenue as our contracts with customers that have a duration of more than one year are immaterial.

## **Note 5. Acquisitions**

### *Purely Solutions, LLC*

In October 2020, we entered into a membership interest purchase agreement with Purely Solutions, LLC, or Pure, in which we acquired 100% of the membership interest as part of our plans to offer tax services. Pure provides tax preparation, bookkeeping and outsourced payroll services.

The total fair value of the consideration for the acquisition was \$2.3 million. Of the total consideration, \$1.0 million was paid in cash on the acquisition date and up to \$0.5 million and \$0.8 million will be paid in cash within six and eighteen months, respectively, based upon certain earnout metrics being achieved including hiring targets and customer experience metrics. We classify contingent consideration in accrued expenses and other current liabilities and other liabilities in the accompanying consolidated financial statements.

Intangible assets acquired from Pure included customer relationships of \$0.6 million, which are being amortized over their estimated useful life of three years using the straight-line method. The goodwill of \$1.6 million arising from the acquisition consists largely of the assembled workforce and synergies expected from combining Pure into our operations. The acquired goodwill is not expected to be deductible for tax purposes.

## **Note 6. Disposition of Business**

### *Beaumont ABS Limited*

In April 2020, we sold our conveyancing business in the United Kingdom, Beaumont ABS Limited, or Beaumont, to a third-party buyer and paid \$1.2 million in working capital to the buyers. Our loss on sale of business was \$1.8 million for the year ended December 31, 2020. In March 2020, prior to the disposition, we recorded an impairment charge of \$0.6 million related to property and equipment.

## **Note 7. Investments**

### *Available-for-sale Debt Securities*

In 2019, we invested in Legal Vision Pty Ltd., or Legal Vision, an Australian proprietary limited company that provides online legal services to small and medium size businesses, through the purchase of a convertible promissory note for a total of Australian Dollar, or AUD \$1.0 million (\$0.7 million). The convertible promissory note has a maturity term of ten years, which is convertible into Legal Vision's common stock. The underlying conversion feature is exercisable upon an exit event including an IPO, merger or sale, upon a new financing round or at our election. At December 31, 2020, we do not hold any equity interests or in-substance common stock in Legal Vision, and accordingly, we classify the convertible promissory note as an investment in an available-for-sale debt security in the accompanying consolidated balance sheets. The fair value of the Legal Vision available-for-sale debt security was AUD \$1.5 million (\$1.1 million) at December 31, 2020.

The fair value of the convertible promissory note is based on unobservable inputs that are categorized as Level 3 in the fair value hierarchy. We determined that the conversion option on the Legal Vision convertible promissory note will not have material value until Legal Vision executes on its business plans to drive growth, which consequently will drive the fair value of the associated conversion option in excess of the carrying value of the convertible promissory note. Accordingly, the fair value of the convertible debt approximated its carrying value as of December 31, 2019 and 2020. At December 31, 2019 and 2020, the fair value of our available-for-sale debt security in Legal Vision was AUD \$1.3 million (\$0.9 million) and AUD \$1.4 million (\$1.0 million), respectively. In 2019, key assumptions used in the Monte Carlo simulation model to determine the fair value of the convertible promissory note in Legal Vision were: expected term of 9.3 years, risk-free rate of 1.3%, and volatility of 45%. In 2020, key assumptions used in the Monte Carlo simulation model to determine the fair value of the convertible promissory note in Legal Vision were: expected term of 8.3 years, risk-free rate of 0.8%, and volatility of 50%.

Since the Legal Vision convertible promissory note has a contractual maturity date that exceeds one year and we do not intend to liquidate in the next twelve months, we have classified the convertible promissory note as a noncurrent available-for-sale debt security in the accompanying consolidated balance sheets as of December 31, 2019 and 2020.

Between 2017 and 2019, we made several investments in Firma.de Firmenbaukasten AG, or Firma, a German limited liability company that provides web-based business formation services to small business owners. The investments were made through the purchase of convertible promissory notes, or convertible debt, with maturity terms of five years, which are convertible into Firma's common stock. The underlying conversion feature is only exercisable upon Firma achieving a trailing 12-month revenue target of EUR €5.0 million any time prior to the maturity of the convertible debt in May 2023. In 2020, we fully impaired our investment in Firma and we incurred a loss of \$4.8 million because the present value of cash flows expected to be collected is less than the amortized cost basis of the investment. Therefore, we recognized an other-than-temporary impairment of EUR €4.3 million (\$4.8 million) in our consolidated statements of operations during the year ended December 31, 2020.

### *Equity Method Investment*

In October 2016, our wholly owned subsidiary Pulse Global Services, Limited, or Pulse, and Sort Group Limited, a third-party company in the United Kingdom, formed Sort Legal Limited, or Sort Legal, as a joint venture with Pulse owning 49% equity interest in Sort Legal. We determined that Pulse was not the primary beneficiary of Sort Legal and Pulse had significant influence over Sort Legal. Accordingly, Sort Legal was accounted for using the equity method. In December 2019, we sold our equity interests to Sort Group Limited for \$0.3 million. Sort Legal's operating results were not material to our consolidated financial statements in 2019.

### Investments in Other Equity Securities

In 2018, we invested in LawPath, Pty Ltd, or LawPath, an Australian proprietary limited company that provides an online legal platform to individuals and small and medium size businesses, through the purchase of a convertible promissory note for a total of AUD \$1.1 million (\$0.8 million). The convertible promissory note had a maturity term of five years from issuance and was convertible into LawPath's common stock upon an exit event including IPO, merger or sale, a new financing round, or LawPath achieving a trailing 12-month performance target of AUD \$10.0 million in net revenue or AUD \$2.0 million in earnings before interest, tax, depreciation and amortization, or EBITDA, any time prior to the maturity of the convertible debt in July 2023. In October 2019, coinciding with a new financing round, we elected to convert our convertible promissory note into LawPath's common stock and invested AUD \$1.0 million (\$0.7 million) in additional LawPath common stock. The outstanding balance of the note totaling AUD \$1.2 million (\$0.8 million) was converted into 4,215 shares of LawPath's common stock. At December 31, 2019 and 2020, our total equity interest in LawPath was 14%, which is recorded at cost.

In December 2018, we purchased 3,000,000 shares of Class C nonvoting common units in Mylo, LLC, or Mylo, a digital insurance broker that services small and medium size businesses, for \$3.0 million, resulting in a 4% interest in Mylo.

The investments in LawPath and Mylo do not have readily determinable fair values. There were no impairments of these investments during the years ended December 31, 2019 and 2020, respectively.

At December 31, 2019 and 2020, the carrying value of these investments is included in other assets in the accompanying consolidated balance sheets.

### Note 8. Property and Equipment

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

	As of December 31,	
	2019	2020
Building and building improvements	\$ 29,350	\$ 29,850
Land	6,437	6,437
Internal-use software	52,394	56,756
Purchased software	3,483	3,370
Furniture and office equipment	4,190	3,868
Computer hardware	14,450	12,195
Leasehold improvements	4,902	4,904
Software development in-progress	5,536	4,305
Total cost of property and equipment	120,742	121,685
Less: accumulated depreciation and amortization	(60,683)	(70,311)
Property and equipment, net	\$ 60,059	\$ 51,374

Depreciation and amortization expense related to property and equipment was \$12.1 million and \$17.3 million for 2019 and 2020, respectively.

At December 31, 2019 and 2020, accumulated amortization in connection with internal-use software costs was \$29.9 million and \$38.7 million, respectively. In 2019 and 2020, we recorded amortization expense of \$7.3 million and \$12.3 million, respectively, in connection with these costs. Software development in-progress consists primarily of internal-use software projects, which when placed in service, will provide enhancements and improvements to the operational and functional capabilities to our online legal platform and our customer-

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facing website. In 2019 and 2020, we capitalized internal-use software development costs of \$14.2 million and \$8.1 million, respectively. In 2019 and 2020, we impaired \$3.7 million and \$1.1 million, respectively, of capitalized software developments costs related primarily to internal-use software projects that no longer met our business requirements or were no longer expected to be placed in service.

**Note 9. Goodwill**

The changes in goodwill for 2019 and 2020 were as follows (in thousands):

<b>Balance as of December 31, 2018</b>	20,077
Impairment	(10,597)
Foreign currency translation	326
<b>Balance as of December 31, 2019</b>	9,806
Acquisition	1,569
Foreign currency translation	29
<b>Balance as of December 31, 2020</b>	<u>\$ 11,404</u>

As discussed in Note 5, we acquired Pure in October 2020.

In 2019, we had two reporting units, the U.S. reporting unit and the U.K. reporting unit. Our U.K. reporting unit's performance was below expectations and further deteriorated in 2019. Our quantitative goodwill assessment in 2019 concluded that the carrying value of the U.K. reporting unit exceeded its fair value, and accordingly, we impaired all the goodwill attributable to the U.K. reporting unit of \$10.6 million. At December 31, 2020, we have one reporting unit.

**Note 10. Intangible Assets, net**

Intangible assets, net, consisted of the following (in thousands):

	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 7,770	\$ 6,172	\$ 1,598
Developed technology	5,118	3,692	1,426
Trade names	2,360	2,306	54
Non-compete agreements	224	224	—
Total intangible assets	<u>\$15,472</u>	<u>\$ 12,394</u>	<u>\$ 3,078</u>

	December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 8,626	\$ 7,949	\$ 677
Developed technology	5,216	5,085	131
Trade names	288	281	7
Total intangible assets	<u>\$14,130</u>	<u>\$ 13,315</u>	<u>\$ 815</u>

For 2019 and 2020, we recorded amortization expense of \$4.3 million and \$2.8 million, respectively.

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At December 31, 2020, estimated future intangible assets amortization expense was as follows (in thousands):

<b>For Years Ending December 31,</b>	
2021	\$430
2022	210
2023	175
Total amortization expense	<u>\$815</u>

**Note 11. Long-term Debt**

A reconciliation of the scheduled maturities to the consolidated balance sheets is as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
Current portion of 2018 Term Loan	\$ 5,350	\$ 5,350
Current portion of discount and unamortized debt issuance costs	(2,351)	(2,321)
Total current portion of long-term debt	<u>\$ 2,999</u>	<u>\$ 3,029</u>
Noncurrent portion of 2018 Term Loan	\$ 524,300	\$ 518,950
Noncurrent portion of discount and unamortized debt issuance costs	(8,909)	(6,588)
Total long-term debt, net of current portion	<u>\$ 515,391</u>	<u>\$ 512,362</u>

At December 31, 2020, aggregate future principal payments are as follows (in thousands):

<b>As of December 31,</b>	
2021	\$ 5,350
2022	5,350
2023	5,350
2024	508,250
Total outstanding principal of 2018 Term Loan	524,300
Less: current portion of 2018 Term Loan	(5,350)
Outstanding principal of 2018 Term Loan, net of current portion	<u>\$518,950</u>

In November 2018, we entered into an amended first lien credit and guaranty agreement, or the 2018 Credit Facility, which consists of a first lien term loan facility, or 2018 Term Loan, with a principal amount of \$535.0 million and a 2018 Revolving Facility of \$40.0 million, or the 2018 Revolving Facility. The 2018 Term Loan matures in November 2024 and the 2018 Revolving Facility matures in November 2023. Debt issuance costs of \$6.5 million and \$0.2 million from the 2018 Term Loan and 2018 Revolving Facility, respectively, are being amortized to interest expense over their respective terms.

Our 2018 Credit Facility is guaranteed by substantially all of our material domestic subsidiaries and is secured by substantially all of our and such subsidiaries' assets, with the exception of our restricted cash equivalent. Under the terms of the 2018 Credit Facility, for our 2018 Revolving Facility, we are required to maintain a Total Net First Lien Leverage Ratio not to exceed 7.9 to 1.0 unless we receive written consent. The Total Net First Lien Leverage Ratio represents the ratio of consolidated total net indebtedness to consolidated adjusted cash EBITDA based on a retroactive rolling, 12-month period. The Total Net First Lien Leverage Ratio will be tested on the last day of each fiscal quarter commencing in March 2019, where the total principal amount of all revolving loans and letters of credit outstanding under the 2018 Revolving Facility, excluding any issued

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and outstanding undrawn letters of credit, exceeds 35% of the total commitments. In addition, we will be required to apply 50% of any excess cash flow, as defined in the 2018 Credit Facility toward prepayments of the 2018 Term Loan and 2018 Revolving Facility. The excess cash flow requirement will reduce to 25% if our Total Net First Lien Leverage Ratio is between 4.25 to 1.00 and 3.75 to 1.00 and will reduce to 0% if our Total Net First Lien Leverage Ratio is less than 3.75 to 1.00. The 2018 Credit Facility also contains certain non-financial covenants including, among other things, limitations on our ability to incur additional debt, incur additional liens, sell or dispose of assets, merge with or acquire other companies, liquidate or dissolve ourselves, engage in businesses that are not in a related line of business, make loans, advances or guarantees, pay dividends, engage in transactions with affiliates, incur liens and make investments. The 2018 Credit Facility also has various customary representations and warranties and events of default. We were in compliance with the financial covenants under the 2018 Credit Facility as of December 31, 2019 and 2020.

The 2018 Term Loan bears either a base rate plus an interest drawn spread of 3.5%, or LIBOR plus an interest drawn spread of 4.5%. The interest rate applicable to loans under our 2018 Revolving Facility is, at our option, either (a) LIBOR plus a margin of 4% or (b) the base rate plus a margin of 3%. Each such margin may decrease depending on our Net First Lien Leverage Ratio. The base rate is the highest of (a) the federal funds rate plus 1/2 of 1%, (b) the prime rate as announced by our financial institution, or (c) LIBOR plus 1% and (d)(i) in the case of the 2018 Term Loan, 2% or (ii) otherwise, 1%. The 2018 Revolving Facility bears the following interest drawn spreads and unused commitment fees based upon our Total Net First Lien Leverage Ratio:

<b>Total Net First Lien Leverage Ratio</b>	<b>Fixed Rate Margin</b>	<b>Base Rate Margin</b>	<b>Commitment Fee</b>
Greater than 4.25 to 1.00	4.00%	3.00%	0.50%
Greater than 3.75 to 1.00 however less than or equal to 4.25 to 1.00	3.75%	2.75%	0.375%
Less than or equal to 3.75 to 1.00	3.50%	2.50%	0.25%

We are obligated to pay a commitment fee accrued daily on the undrawn portion of the 2018 Revolving Facility based on the rates set forth above, payable in arrears at the end of each fiscal quarter. We also have \$8.0 million in letters of credit available under our 2018 Revolving Facility.

In March 2020, in response to the World Health Organization's declaration of COVID-19, we drew down the full \$40.0 million available from our 2018 Revolving Facility. The 2018 Revolving Facility was paid in full by May 2020. At December 31, 2019 and 2020, we had no amounts outstanding under our 2018 Revolving Facility or any outstanding letters of credit.

At December 31, 2019 and 2020, all of our borrowings were related to the 2018 Term Loan. The effective interest rate of the 2018 Term Loan is 7.0% and 5.1% for 2019 and 2020, respectively. The thirty-day LIBOR-interest rate was approximately 1.8% and 0.2% as of December 31, 2019 and 2020, respectively. We paid \$5.35 million in principal repayments on the 2018 Term Loan in 2019 and 2020.

We determined that the fair value of our long-term debt approximates its carrying value as of December 31, 2020. We estimated the fair value of our long-term debt using Level 2 inputs based on recent observable trades of our 2018 Term Loan.



**Note 12. Derivative Financial Instruments**

Derivative financial instruments and hybrid debt consisted of the following (in thousands):

	As of December 31,	
	2019	2020
Interest rate swaps derivative liability, current portion	\$ 1,655	\$ 2,177
Interest rate swaps	\$ 3,750	\$ 3,640
Financial guarantee	1,900	150
Total derivative liability, net of current portion	\$ 5,650	\$ 3,790
Hybrid debt, current portion	\$ —	\$ 2,954
Hybrid debt, net of current portion	\$ —	\$ 8,152

Current and noncurrent derivative liabilities and hybrid debt are included in accrued expenses and other current liabilities and other liabilities, respectively, in the accompanying consolidated balance sheets.

*Financial Guarantee*

In September 2019, we provided a financial guarantee relating to a former executive officer upon their voluntary termination. The executive officer entered into a personal loan with a financial institution for \$50.0 million with a three-year term. The personal loan is collateralized by personal assets, an investment portfolio and our common stock owned by the former executive officer. We provided a financial guarantee to the financial institution up to \$25.0 million should the former executive officer default or not meet certain collateral requirements throughout the term of the personal loan. We deposited \$25.0 million into a money market fund with the financial institution, or the restricted cash equivalent, to evidence this financial guarantee. Should the former executive officer not meet certain collateral requirements or defaults on the personal loan, the financial institution has the ability to use our restricted cash equivalent for any shortfall up to \$25.0 million. In that event, we will have full recourse against the former executive officer to recover the amount retained by the financial institution up to \$25.0 million. The personal loan is required to be repaid by the former executive officer prior to us making a public filing with the Securities and Exchange Commission for our IPO, or September 2022, whichever comes first. In the event of our IPO, the former executive officer has the option to sell up to \$25.0 million of his common stock back to us to pay off the personal loan with the financial institution.

The financial guarantee is being accounted for as a derivative at fair value with changes in fair value recorded in other income, net in our consolidated statements of operations. The financial guarantee has a term of three years and matures in September 2022. The estimated fair value of the financial guarantee liability of \$1.9 million and \$0.1 million as of December 31, 2019 and 2020, respectively, was estimated using a Monte Carlo simulation model using Level 3 inputs from the fair value hierarchy. The principal assumptions used in the model as of December 31, 2019 were: expected volatility of 50% and risk-free rate of 1.6%. The principal assumptions used in the model as of December 31, 2020 were: expected volatility of 63% and risk-free rate of 0.1%. The change in fair value of the financial guarantee in 2020 was \$1.8 million. The change in fair value of the financial guarantee from September 2019 to December 31, 2019 was not material to our consolidated financial statements.

*Interest Rate Swaps*

In April 2019, we entered into two interest rate swaps, or initial swaps, to manage cash flow exposure and exposure to interest rate fluctuations under our 2018 Term Loan. The initial swaps mature in April 2022. Under the swap agreements, we were required to pay interest at a fixed rate of 2.3% per annum and receive interest at a variable rate indexed to one-month LIBOR. The initial notional amount of each initial swap was \$66.0 million.

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The initial swaps are being accounted for as cash flow hedges as the transactions were executed to hedge our future interest payments.

Due to the impact of COVID-19 and decreases in LIBOR, in March 2020, we entered into two blend-and-extend transactions to modify our initial swaps where the derivative liability of \$12.3 million was carried over to the modified swaps, the fixed rate of 2.3% on the initial swaps was modified to a new average fixed interest rate of 1.7% and the maturity date was extended by two years to April 2024. The notional amount of each modified swap was \$96.6 million. At the time of modification, the initial swaps were de-designated as cash flow hedges and amounts in other comprehensive income were frozen and are amortized to interest expense over the life of the original hedge relationship. As the modified swaps were considered off-market, they were accounted for as a debt host, and an embedded at-market derivative was bifurcated from the debt host. The at-market portion of the modified swaps were designated as cash flow hedges. The hybrid debt host is accounted for at amortized cost basis and will be amortized as we settle our modified swaps over the extended term with related interest recognized in interest expense, net in the accompanying consolidated statements of operations.

### *Interest Rate Cap*

In March 2018, we entered into an interest rate cap agreement at a cost of \$0.8 million with a three-year term, for an aggregate notional amount of \$340.0 million to hedge variability of cash flows in our variable interest payments attributable to fluctuations in LIBOR beyond 3%. The critical terms of the interest rate cap are substantially the same as our underlying term loans. The interest rate cap is being accounted for as a cash flow hedge as the transaction was executed to hedge our future interest payments. The interest rate cap expired on March 31, 2021.

### *Other Derivative Instruments*

We also held an interest rate swap, which was used to manage cash flow exposure and exposure to interest rate fluctuations under our previous credit facilities, or the 2016 swap. The 2016 swap matured in January 2020. Under the swap agreement, we were required to pay interest at a fixed rate of 1.8% per annum and we received interest at a variable rate indexed to one-month LIBOR. The initial notional amount of the 2016 swap was \$18.3 million. The 2016 swap did not qualify for hedge accounting and changes in fair value were recorded in interest expense, net in the accompanying consolidated statements of operations.

The impact from losses from our interest rate cap, interest rate swaps, and hybrid debt on our consolidated statements of operations were as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
Net payments upon settlement of interest rate swaps	\$ 208	\$ 1,103
Change in fair value of 2016 swap	128	—
Amortization of prior hedge effectiveness	—	3,481
Amortization of interest rate cap premium	312	194
Interest expense on hybrid debt	—	630
Total, recorded in interest expense, net	<u>\$ 648</u>	<u>\$ 5,408</u>

**Note 13. Commitments and Contingencies***Operating Leases*

We conduct operations from certain leased facilities in various locations. At December 31, 2020, we had various non-cancelable operating leases for office space and equipment, which expire between December 2021 and December 2022. Future minimum payments under operating leases are as follows (in thousands):

<b>Years Ending December 31,</b>	<b>Operating Leases</b>
2021	\$ 3,195
2022	1,776
Total minimum lease payments	<u>\$ 4,971</u>

In 2020, we signed a lease amendment to extend the term of our corporate offices in Glendale, California for an additional 18 months, which expires in July 2022. We recorded rent expense of \$3.1 million and \$3.1 million for 2019 and 2020, respectively.

*Advertising, Media and Other Commitments*

We use a variety of media to advertise our services, including search engine marketing, television and radio. At December 31, 2020, we had non-cancelable minimum advertising and media commitments for future advertising spots of \$11.9 million, substantially all of which will be paid during 2021. We also have non-cancelable agreements with various vendors, which require us to pay \$6.5 million over a five-year period, of which \$4.3 million remains to be paid as of December 31, 2020.

*Legal Proceedings*

We, along with Pulse Global Services, Ltd, former executive officers, the State Bars of Arizona, California, and Texas, and the United States Patent and Trademark Office, or USPTO, were served with a complaint from Plaintiffs Raj Abhyanker, LegalForce RAPC Worldwide, or LegalForce RAPC, and LegalForce Inc., purported competitors, on December 19, 2017 in the Northern District of California. Plaintiffs' complaint initially alleged unreasonable restraint of trade in violation of the Sherman Act, unfair competition, false and misleading advertising, professional negligence and breach of fiduciary duties, but over the course of two years, the plaintiffs filed multiple amendments, additional matters, and administrative complaints against us, and others, in multiple jurisdictions. The parties reached the terms of a global confidential settlement for all claims, known or unknown, on October 7, 2019, and all actions were dismissed with prejudice. In 2019, we incurred a loss of \$0.8 million for the settlement, net of insurance recoveries of \$2.4 million.

We received a demand letter dated April 20, 2020 from service partner Dun & Bradstreet alleging that Dun & Bradstreet had overpaid us for services. The letter alleges these overpayments occurred between 2015 and 2019, amounted to \$5.6 million, and were caused by overreporting by us. We deny and will continue to deny all of the allegations and claims asserted by Dun & Bradstreet, including, but not limited to, any allegation that the respondent has suffered any harm or damages. We believe we have meritorious defenses to the claims and will vigorously defend any action. We are unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, a loss is not probable of having occurred. We cannot make an estimate of the possible loss or range of loss. Accordingly, we have not recorded any loss or accrual in the accompanying consolidated financial statements at December 31, 2020 for this matter. If this matter is not resolved in our favor, the losses arising from the result of litigation or settlements may have a material adverse effect on our business, results of operations, cash flows and financial condition.

We initiated an arbitration on October 28, 2020 against one of our vendors. The demand for arbitration alleges breach of contract, breach of covenant of good faith and fair dealing, and seeks declaratory relief and at

least \$5.6 million in damages. On December 7, 2020, the vendor filed a counterdemand alleging breach of contract and breach of the covenant of good faith and fair dealing, seeking declaratory relief and at least \$6.1 million in damages. We deny and will continue to deny all of the allegations and claims asserted in the counterdemand, including, but not limited to, any allegation that the respondent has suffered any harm or damages. We believe we have meritorious defenses to the claims and will vigorously defend any action. We are unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, a loss is not probable of having occurred. We cannot make an estimate of the possible loss or range of loss. Accordingly, we have not recorded any loss or accrual in the accompanying consolidated financial statements at December 31, 2020 for this matter. If this matter is not resolved in our favor, the losses arising from the result of litigation or settlements may have a material adverse effect on our business, results of operations, cash flows and financial condition.

We were served on February 9, 2021 with a class action complaint, filed in Los Angeles Superior Court, from a Florida resident who claims to have visited the [www.legalzoom.com](http://www.legalzoom.com) website. The plaintiff alleges that the website's use of session replay software was an unlawful interception of electronic communications under the Florida Security Communications Act. The plaintiff seeks damages on behalf of the purported class as well as injunctive and declaratory relief. We believe we have meritorious defenses to the claims and will vigorously defend any action. We are unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, a loss is not probable of having occurred. We cannot make an estimate of the possible loss or range of loss. Accordingly, we have not recorded any loss or accrual in the accompanying consolidated financial statements at December 31, 2020 for this matter. If this matter is not resolved in our favor, the losses arising from the result of litigation or settlements may have a material adverse effect on our business, results of operations, cash flows and financial condition.

We are involved in inactive state administrative inquiries relating to the unauthorized practice of law or insurance. Because these are inquiries and no claims have been alleged or asserted against us, we cannot predict the outcome of these inquiries or whether these matters will result in litigation or any outcome of potential litigation.

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. Other than described above, we are not currently a party to any material legal proceedings, nor are we aware of any pending or threatened litigation that would have a material adverse effect on our results of operations, cash flows, and financial condition, should such litigation be resolved unfavorably.

#### *Employment Contracts*

We have entered into employment contracts with certain employees and officers, including standard indemnification agreements with each of our officers and directors. All of the contracts are under the terms of at-will employment. However, under the provisions of the contracts, we may be required to incur severance obligations for matters relating to changes in control, as defined, and involuntary terminations. At December 31, 2020, total potential severance obligations in connection with the termination of employment contracts without a change in control, or CIC, was \$3.3 million and a termination following a CIC was \$5.2 million.

#### *Indemnifications*

Indemnification provisions in our third-party service provider agreements provide that we will indemnify, hold harmless, and reimburse the indemnified parties on a case-by-case basis for losses suffered or incurred by the indemnified parties in connection with any claim by any third-party as a result of our website, advertising, marketing, payment processing, collection or customer service activities. The maximum potential amount of future payments we could be required to make under these indemnification provisions is undeterminable.

No amounts are accrued or have been paid during any period presented as we believe the fair value of these indemnification obligations is immaterial.

**Note 14. Redeemable Convertible Preferred Stock**

At December 31, 2020, we were authorized to issue 264,720,000 and 30,512,000 shares of common stock and Series A redeemable convertible preferred stock, or Series A, respectively. The Series A has the following rights and preferences:

*Dividends*

The holders of Series A are entitled to receive noncumulative dividends when and if declared by the Board of Directors. There is no stated dividend rate on the Series A. We cannot declare any dividends on any shares of capital stock unless the holders of the Series A then outstanding first receive a dividend on each outstanding share of Series A in an amount at least equal to (i) in the case of a dividend on common stock or any class or series that is convertible into common stock, that dividend per share of Series A as would equal the product of (A) the dividend payable on each share of such class or series determined as if all such shares of such class or series had been converted into common stock and (B) the number of shares of common stock issuable upon conversion of a share of Series A or (ii) in the case of a dividend on any class or series that is not convertible into common stock, at a rate per share of Series A determined by dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock and multiplying such fraction by an amount equal to \$1.4961775 per share.

*Conversion*

Each share of Series A is convertible any time, at the option of the holder, into two shares of common stock whereby the initial issuance price of \$1.4961775 per share is divided by the conversion price of \$0.74808875 per share. All shares of Series A will automatically convert upon the earlier of (i) immediately prior to the closing of the sale of shares of common stock to the public at a price of at least \$13.10 per share, in a firm commitment underwritten public offering pursuant to an effective registration statement under the *Securities Act of 1933* with at least \$100.0 million of gross proceeds to us and with respect to which the common stock is listed for trading on either the New York Stock Exchange or the National Association of Securities Dealers Automated Quotations Exchange, or NASDAQ National Market, each a “qualifying initial public offering,” or (ii) a date specified by the vote of the holders of at least a majority of the then outstanding shares of Series A.

*Liquidation*

In the event of any voluntary or involuntary liquidation, dissolution, or winding up, including a merger or consolidation, as defined as a deemed liquidation event under the Certificate of Incorporation, the assets available for distribution to our stockholders shall be distributed among the holders of shares of our Series A and common stock, pro rata based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to our common stock immediately prior to such dissolution, liquidation or winding up.

We have presented our Series A outside of stockholders’ deficit in the mezzanine section of the accompanying consolidated balance sheets, as Series A is contingently redeemable in the case of certain events outside of our control, such as a CIC or sale of substantially all of our assets.

Our Series A is not redeemable at the option of the holder.

*Voting*

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

As long as there are 10,170,668 shares of Series A outstanding, we will not amend, alter or repeal any provision of the Restated Certificate of Incorporation or our By-laws in a manner that adversely affects the rights, preferences, privileges and other restrictions of the Series A; increase or decrease the number of authorized shares of Series A; authorize or enter into any transaction or series of related transactions (i) for the sale, exclusive license or other disposition of a substantial portion of our assets, (ii) for the acquisition of any equity interests or all or substantially all of the assets of another entity, including by merger, in each case, where the fair market value of the consideration paid or issued by us in connection with the transaction exceeds \$100.0 million, (iii) for the merger, consolidation or other reorganization with or into another entity, (iv) for our voluntary dissolution or liquidation, or (v) otherwise constituting a change of control, as defined; authorize, designate, issue or reclassify any equity security senior to or on parity with the Series A, with regard to redemption, liquidation preference, voting rights or dividends; increase the size of the Board of Directors; pay or declare dividends on, make distributions with respect to, or repurchase any shares of our capital stock; incur any aggregate indebtedness for borrowed money in excess of 2.5 times our trailing 12-month cash EBITDA, as defined; increase the number of shares available for grant under our 2000 Stock Option Plan or 2016 Stock Option Plan or authorize or establish any new plan or arrangement providing for the grant or issuance of shares of common stock, options or convertible securities to directors, employees or our consultants; or issue, or commit to issue, any additional shares of Series A.

#### *Reserve for Unissued Shares of Common Stock*

We are required to reserve and keep available out of our authorized, unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding shares of preferred stock plus shares granted and available for grant under our stock option plans.

#### **Note 15. Stock-based Compensation**

We currently grant stock options under our 2016 Stock Option Plan, or 2016 Plan. At December 31, 2020, there were 5,706,362 shares of common stock available for grant under the 2016 Plan.

Under the terms of the 2016 Plan, both incentive and nonqualified stock options have been and may be granted with exercise prices not less than the fair value of the underlying common stock on the date of grant. Options granted pursuant to the 2016 Plan vest over periods of up to five years and expire ten years from the grant date. If a 2016 Plan option expires and is not exercised, such as if an employee does not exercise vested 2016 Plan options within thirty days of termination, then these options will revert back to the 2016 Plan's option pool. Our policy is to issue new common stock upon the exercise of stock options.

The exercise price of all options granted was based on the estimated fair market value of our common stock as determined by the Board of Directors at the date of grant or date of modification.

We recorded stock-based compensation expense in the following categories in the accompanying consolidated statements of operations and balance sheets (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
Cost of revenue	\$ 205	\$ 177
Sales and marketing	1,020	1,122
Technology and development	1,314	2,703
General and administrative	4,170	9,719
Total stock-based compensation expense	6,709	13,721
Amount capitalized to internal-use software	98	46
Total stock-based compensation expense, including capitalized internal-use software	\$ 6,807	\$ 13,767

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Stock option activity for the year ended December 31, 2020 is as follows (in thousands, except weighted-average exercise price and remaining contract life):

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
<b>Outstanding at December 31, 2019</b>	10,678	\$ 8.05	8.6	\$ 36,235
Granted	6,243	10.36		
Exercised	(1,270)	0.47		
Cancelled/forfeited	(416)	1.60		
<b>Outstanding at December 31, 2020</b>	<u>15,235</u>	<u>\$ 8.78</u>	<u>8.7</u>	<u>\$ 15,873</u>
<b>Vested and expected to vest at December 31, 2020</b>	10,694	\$ 8.36	8.3	\$ 15,610
<b>Exercisable at December 31, 2020</b>	2,695	\$ 4.57	6.6	\$ 14,138

The aggregate intrinsic values in the table above represents the difference, if any, between the estimated fair value per share of our common stock and the option exercise prices multiplied by the number of options at the respective balance sheet dates. The total intrinsic value of stock options exercised in 2019 and 2020 was \$10.1 million and \$12.3 million, respectively. At December 31, 2020, total remaining stock-based compensation expense for unvested awards is \$37.1 million, of which \$19.7 million for time-based options are expected to be recognized over a weighted-average period of 2.9 years, up to \$8.2 million for various performance options, which will only vest upon the consummation of a CIC event (as defined below), and \$9.2 million for a performance option, which is expected to be recognized over 2.8 years unless a CIC event occurs beforehand.

The weighted-average grant-date fair value per share of options granted using the Black-Scholes option pricing model for 2019 and 2020 was \$4.64 and \$4.32, respectively. There was a realized tax benefit of \$8.7 million and \$14.2 million for tax deductions from stock options exercised in 2019 and 2020, respectively. All tax effects related to stock-based compensation have been recorded in our provision for income taxes in the accompanying consolidated statements of operations.

The weighted-average assumptions that were used to calculate the grant-date fair value of our stock option grants using the Black-Scholes option pricing model were as follows:

	Year Ended December 31,	
	2019	2020
Expected life (years)	5.1	5.2
Risk-free interest rate	1.5%	1.1%
Expected volatility	44%	45%
Expected dividend yield	—	—

In 2019 and 2020, we granted 3,627,936 and 4,509,041 nonqualified stock options, respectively, to new executive officers and employees where the options will vest depending upon the appreciation of the fair value of our common stock compared to the exercise price upon the earlier of a CIC event, which includes an IPO, merger, acquisition, or sale of more than 50% of our assets, or performance options. The performance options vest on a linear basis, starting at 0% with a fair value of our common stock equal to \$19.64 per share and ending at 100% upon reaching a fair value of our common stock of \$29.46 per share. The 3,627,936 performance options granted in 2019, or 2019 performance options, will either vest or expire on the fourth anniversary from the date of grant if a CIC event does not occur beforehand. The 4,509,041 performance options granted in 2020, or 2020 performance options, only vest upon a CIC event.

The 2019 performance options vesting condition represents a market condition, and therefore expense is recognized irrespective of whether the valuation thresholds are met either upon the CIC event or fourth

anniversary, whichever occurs first. The 2019 performance options have a weighted-average grant-date fair value of \$3.09 per share and will be recognized over four years or earlier upon a CIC event. The 2019 performance option was valued using a Monte Carlo simulation, using the following assumptions: expected volatility of 50%, dividend rate of 0% and risk-free rate of 1.6%. The 2020 performance options vesting condition represents a market condition, and therefore expense is recognized irrespective of whether the valuation thresholds are met, provided the CIC event occurs and the employee remains employed through the date of the CIC event. The 2020 performance options have a weighted-average grant-date fair value of \$1.66 per share and will be recognized upon the consummation of a CIC event. The 2020 performance options were valued using a Monte Carlo simulation, using the following assumptions: expected volatility ranging between 50% and 55%, dividend rate of 0% and risk-free rate ranging between 0.1% and 1.7%.

For 5,334,824 time-based options granted to certain executive officers, vesting will accelerate 50% of their unvested options upon a change in ownership of more than 50%, sale, merger, disposition, dissolution or liquidation. Vesting does not accelerate upon an IPO. Furthermore, the time-based options will accelerate up to 100% if the executives are terminated without cause by us or by the executive officer for good reason within 24 months of a CIC event. Unrecognized compensation for these time-based options as of December 31, 2020 was \$19.5 million.

#### *Restricted Stock Units*

A summary of RSU activity for the year ended December 31, 2020 is as follows (in thousands, except weighted-average grant-date fair value):

	Number of Options	Weighted- Average Grant- Date Fair Value
<b>Unvested at December 31, 2019</b>	1,720	\$ 8.38
Granted	2,282	9.59
Cancelled/forfeited	(1,168)	7.57
Vested	(335)	10.13
<b>Unvested at December 31, 2020</b>	<u>2,499</u>	<u>\$ 9.53</u>

The fair value of vested RSUs in 2019 and 2020 were \$4.4 million and \$3.4 million, respectively. Our RSUs consist of time-based RSUs and various performance RSUs. At December 31, 2020, total remaining stock-based compensation expense for unvested RSU awards is \$23.1 million, of which \$4.6 million for time-based RSUs is expected to be recognized over a weighted-average period of 2.5 years, and up to \$18.4 million for various performance RSUs, which will vest upon the consummation of a CIC event and subsequently thereafter for any remaining service period.

In 2019 and 2020, we granted 1,000,000 and 35,429 RSUs, respectively, to executive officers that vest upon reaching either a specified valuation for a consecutive 30-day period after an IPO or a CIC event with a valuation exceeding the specified valuation prior to December 2022, and providing continued service through the vest date, or performance awards. For the performance awards, no expense is recognized until an IPO or CIC occurs as these events are not considered probable of occurring for stock-based compensation purposes. If either event occurs, as the valuation threshold represents a market condition, expense is recognized irrespective of whether the valuation threshold is met provided the requisite service period is met. In 2019, the weighed-average grant-date fair value of the IPO and CIC performance conditions was \$4.17 and \$0.93 per share, respectively. The 2019 performance awards were valued using a Monte Carlo simulation, using the following assumptions: expected volatility range of 55% to 60%, dividend rate of 0% and risk-free rate ranging from 2.7% to 2.8%. In 2020, the grant-date fair value of the IPO and CIC performance conditions was \$3.73 and \$2.08 per share, respectively. The 2020 performance awards were valued using a Monte Carlo simulation, using the following assumptions: expected volatility of 50%, dividend rate of 0% and risk-free rate of 1.6%. In 2019 and 2020, 500,000 and 455,429 of these performance awards were forfeited with the termination of former executive officers, respectively, and only 80,000 remain outstanding at December 31, 2020.



In 2019, we granted 551,020 RSUs to certain members of senior management, which vest over four years. We provided an option for the employees to participate in a buyback program where they are eligible to settle their vested RSUs in either shares of our common stock or put their awards back to us for cash. The buyback program is accounted for as a liability and is remeasured each reporting period based upon the fair value of our common stock and recognized as stock-based compensation expense through each respective vesting date. At December 31, 2019 and 2020, the stock-based compensation liability was not material to our consolidated financial statements. In 2019, \$0.1 million of the stock compensation liability was settled in 9,750 shares of our common stock, and \$1.4 million for 128,005 vested awards were paid out to employees who participated in the buyback program for a total cash disbursement of \$1.0 million after withholding taxes. In 2020, \$0.1 million of the stock compensation liability was settled in 12,851 shares of our common stock, and \$0.9 million for 90,667 vested awards were paid out to employees who participated in the buyback program for a total cash disbursement of \$0.6 million after withholding taxes. The buyback program will conclude in 2022 and there are 106,460 unvested awards remaining in the program.

In 2020, we granted 81,468 RSUs to employees where the RSUs will vest depending upon the appreciation of the fair value of our common stock compared to the grant-date fair value of our common stock upon the consummation of a CIC event, which includes an IPO, merger, acquisition, or sale of more than 50% of our assets, or performance RSUs. The performance RSUs vest on a linear basis, starting at 0% with a fair value of our common stock equal to \$19.64 per share and ending at 100% upon reaching a fair value of our common stock of \$29.46 per share. The performance RSUs vesting condition represents a market condition, and therefore expense is recognized irrespective of whether the valuation thresholds are met, provided the CIC event occurs and the employee remains employed through the date of the CIC event. The performance RSUs have a weighted-average grant-date fair value of \$2.37 per share and will be recognized upon the consummation of a CIC event. The performance RSUs were valued using a Monte Carlo simulation, using the following assumptions: expected volatility of 55%, dividend rate of 0% and risk-free rate ranging between 0.1% and 0.4%.

In 2020, we granted 1,835,497 liquidity event RSUs, or LERSUs, which only vest upon the achievement of up to four-years of service and upon the consummation of a CIC event, which includes an IPO, merger, acquisition, or sale of more than 50% of our assets. Employees will be eligible to retain any vested awards up to a period of 6.5 years from their respective grant date. If the recipient employee terminates for any reason other than for cause, the employee shall retain any service-vested LERSUs until 6.5 years from the date of grant or the earlier settlement of the service-vested LERSUs upon the consummation of a CIC event. For the LERSUs, recognition of expense does not occur until the consummation of a CIC event and thereafter for any remaining service period, as such events are not considered probable of occurring prior to the CIC event for stock-based compensation purposes.

For 509,165 RSUs granted to an executive officer, vesting will accelerate on 25% of their unvested options upon a CIC event including an IPO, or will accelerate up to 100% if the executive officer is terminated without cause by us or by the executive officer for good reason. At December 31, 2020, total remaining stock-based compensation expense for the RSU award was \$5.0 million of which \$1.3 million will be expensed upon the consummation of a CIC event.

#### *Restricted Stock*

In February 2018, we issued an employee a restricted stock award for 200,000 shares of common stock with a grant-date fair-value of \$3.1275 per share. The restricted stock award vests upon meeting an EBITDA-based performance target by December 31, 2019. The award did not meet the performance condition as of December 31, 2019 and accordingly no stock-based compensation was recognized in 2019.

In February 2020, we allowed 200,000 shares subject to the expired restricted stock award subject to expiration to be reissued to the same employee. For the reissued award, 50,000 shares of common stock became unrestricted, however, would be forfeited should the employee be terminated for cause through March 2023. The remaining 150,000 shares of common stock are subject to restriction whereby the employee is required to drive business performance to meet certain annual operational key performance indicators through March 2023, or the

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performance restricted stock. The 50,000 shares of common stock had a grant-date fair value of \$11.29 per share. For accounting purposes, grant dates will be established for the performance restricted stock in March of each year when the key performance indicators are determined for the annual performance period. In 2020, 50,000 performance restricted stock vested. The total fair value of restricted stock that vested during 2020 was \$1.1 million.

### *Modifications*

In 2019, as part of a termination agreement with a former executive officer, we repurchased 170,000 shares of common stock for \$1.5 million. In addition, we accelerated and repurchased 25,000 unvested options and 28,800 unvested time-based RSUs for \$0.5 million and repurchased 200,000 vested options for \$2.0 million. The repurchase of the common stock and vested options were recognized in accumulated deficit in the accompanying consolidated balance sheets and the repurchase of the accelerated options and unvested time-based RSUs were recorded as cash severance in the accompanying consolidated statements of operations. The former executive officer received cash consideration of \$2.7 million after withholding taxes of \$1.3 million.

In 2020, we modified 4,571,076 time-based options and 4,948,333 performance options for certain executive officers and adjusted the initial weighted-average exercise prices of \$11.47 per share to a revised exercise price of \$9.82 per share. Incremental stock-based compensation expense of \$0.3 million was recognized in 2020 and \$3.5 million will be recognized over the remaining vesting period of approximately three years. Furthermore, 177,147 time-based options were cancelled and replaced with 177,147 LERSUs for an executive officer. As the time-based options were replaced with LERSUs, that are improbable of vesting until a CIC is consummated, there was no incremental compensation expense associated with this modification.

In 2020, in connection with the termination of former executive officers, we accelerated 92,800 unvested time-based RSUs as part of their severance arrangements and recognized stock-compensation expense of \$1.0 million.

**Note 16. Fair Value Measurements**

The following tables summarizes our assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

	December 31, 2019		
	Level 1	Level 2	Level 3
Available-for-sale debt securities	\$ —	\$ —	\$5,528
Money market fund	5,083	—	—
Restricted money market fund	25,000	—	—
Total assets	<u>\$30,083</u>	<u>\$ —</u>	<u>\$5,528</u>
Interest rate caps and swaps	\$ —	5,405	\$ —
Financial guarantee	—	—	1,900
Total liabilities	<u>\$ —</u>	<u>\$5,405</u>	<u>\$1,900</u>

	December 31, 2020		
	Level 1	Level 2	Level 3
Available-for-sale debt securities	\$ —	\$ —	\$1,050
Money market fund	5,208	—	—
Restricted money market fund	25,000	—	—
Total assets	<u>\$30,208</u>	<u>\$ —</u>	<u>\$1,050</u>
Interest rate caps and swaps	\$ —	5,817	\$ —
Financial guarantee	—	—	150
Contingent consideration	—	—	1,250
Total liabilities	<u>\$ —</u>	<u>\$5,817</u>	<u>\$1,400</u>

There was no change in the fair value of the contingent consideration from our acquisition of Pure for the year ended December 31, 2020.

Our available-for-sale debt securities measured using Level 3 inputs have the following activity (in thousands):

	As of December 31,	
	2019	2020
<b>Beginning balance</b>	\$3,866	\$ 5,528
Purchases	2,013	—
Change in fair value	440	434
Other-than-temporary impairment	—	(4,912)
Transfer to other equity security	(791)	—
<b>Ending balance</b>	<u>\$5,528</u>	<u>\$ 1,050</u>

Our financial guarantee measured using Level 3 inputs has the following activity (in thousands):

	As of December 31,	
	2019	2020
<b>Beginning balance</b>	\$1,900	\$ 1,900
Purchases	—	—
Change in fair value	—	\$(1,750)
<b>Ending balance</b>	<u>\$1,900</u>	<u>\$ 150</u>

**Note 17. Restructuring**

In 2019 and 2020, we incurred \$1.6 million and \$0.6 million, respectively, in severance costs related to a reduction in headcount in our U.K. workforce. In 2020, we incurred \$1.9 million in severance costs related to a reduction in headcount in our U.S. workforce in October, or U.S. restructuring. Restructuring expenses include salary and benefits for the impacted employees and are included in general and administrative expenses in the accompanying consolidated statements of operations.

As part of the severance arrangement for our U.S. restructuring, certain separated employees were eligible to participate in a tender offer transaction and we repurchased 319,257 shares of common stock from employees who were existing stockholders and vested option holders for total consideration of approximately \$3.1 million. The repurchased shares were constructively retired.

**Note 18. Income Taxes**

On March 27, 2020 the *Coronavirus Aid, Relief and Economic Security Act* (the "CARES Act") was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act did not have a material impact on the provision for income taxes for the year ended December 31, 2020.

The following are the domestic and foreign components of our income before income taxes (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
Domestic	\$ 19,778	\$ 25,272
Foreign	(9,174)	(12,947)
Total income before income taxes	<u>\$ 10,604</u>	<u>\$ 12,325</u>

The total income before income taxes above includes income from our equity method investment of \$0.3 million and \$0 for 2019 and 2020, respectively.

The details for the provision for income taxes by jurisdiction are as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2020</u>
<b>Current</b>		
Federal	\$ 277	\$ 846
State	700	243
Foreign	255	15
Total current provision	<u>1,232</u>	<u>1,104</u>
<b>Deferred</b>		
Federal	2,944	2,322
State	(1,015)	(997)
Foreign	—	—
Total deferred provision	<u>1,929</u>	<u>1,325</u>
Total provision for income tax	<u>\$ 3,161</u>	<u>\$ 2,429</u>

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The provision for income taxes for 2019 and 2020 differed from the amounts computed by applying the U.S. Federal income tax rate of 21% to income before income taxes as a result of the following (in thousands):

	Year Ended December 31,	
	2019	2020
Provision for income taxes at statutory rate	\$ 2,227	\$ 2,588
State income taxes, net of federal benefit	284	(891)
Rate differential on foreign earnings	1,818	(1,217)
Research and development credits	(600)	(1,340)
Change in valuation allowance	117	5,011
Stock-based compensation	(2,014)	(2,162)
Unrecognized tax benefits	563	978
Deferred adjustments	(54)	(486)
Non-deductible expenses	820	(52)
Total provision for income taxes	<u>\$ 3,161</u>	<u>\$ 2,429</u>

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and liabilities consisted of the following as of December 31, 2019 and 2020 (in thousands):

	As of December 31,	
	2019	2020
<b>Deferred tax assets</b>		
Deferred revenue	\$ 421	\$ 694
Accrued expenses	2,323	3,746
Stock-based compensation	1,058	3,314
Impairment on investment	—	1,445
Net operating loss carryforwards	9,750	12,857
Tax credit carryforwards	10,346	10,462
Interest expense carryforward	12,625	7,679
Derivatives and hedging	1,440	4,400
Total deferred tax assets	37,963	44,597
Valuation allowance	(7,816)	(12,950)
Net deferred tax assets	<u>30,147</u>	<u>31,647</u>
<b>Deferred tax liabilities</b>		
Depreciation and amortization	(7,491)	(6,024)
State taxes	(2,406)	(2,816)
Net deferred tax liabilities	<u>(9,897)</u>	<u>(8,840)</u>
Net deferred tax assets and liabilities	<u>\$20,250</u>	<u>\$ 22,807</u>

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We evaluated the realizability of net deferred tax assets and determined it is more likely than not that separate state net operating losses, net operating losses from the acquisition of Legalinc Corporate Services Inc., the deferred tax assets for Pulse IP, LLC and Pulse Business, LLC, and foreign deferred tax assets will not be realized based on the available objective evidence and recorded a valuation allowance. The following table summarizes the valuation allowance:

	Year Ended December 31,	
	2019	2020
<b>Beginning balance</b>	\$ 7,707	\$ 7,816
Net increase (decrease) in current year	769	4,646
Net increase (decrease) in valuation prior period	(87)	528
Net increase (decrease) in valuation allowance from acquisitions	(573)	(40)
<b>Ending balance</b>	<u>\$ 7,816</u>	<u>\$ 12,950</u>

Net changes in valuation allowance include changes recorded through earnings relating to losses primarily from foreign operations and to a lesser extent valuation allowances established relating to acquired businesses.

At December 31, 2019 and 2020, we had federal net operating loss (“NOL”) carryforwards of \$9.0 million and \$11.7 million, respectively, which will begin to expire in 2031. At December 31, 2019 and 2020, we had state net operating loss carryforwards of \$41.3 million and \$49.8 million, respectively, which will begin to expire in 2022. At December 31, 2019 and 2020, we had foreign net operating loss carryforwards of \$23.1 million and \$32.4 million, respectively, which can be carried forward indefinitely and are not subject to expiration. At December 31, 2019 and 2020, we had federal tax credit carryforwards of \$7.4 million and \$6.2 million, respectively, which will begin to expire in 2029. At December 31, 2019 and 2020, we had state tax credit carryforwards of \$8.2 million and \$8.8 million, respectively, which carry forward indefinitely. Our domestic entities may be subject to an annual limitation on the utilization of net operating loss and credit carryforwards based on changes in ownership as defined by Section 382 of the *Internal Revenue Code of 1986*. In 2018, we acquired Legalinc Corporate Services Inc. in a stock acquisition. Since this was a change in ownership, the acquired net operating loss carryforwards are subject to an annual Section 382 limitation on the utilization of the net operating loss carryforwards.

We have had foreign operations since 2013. We did not provide for U.S. income taxes on the undistributed earnings and other outside temporary differences of foreign subsidiaries as they are considered indefinitely reinvested outside the United States. At December 31, 2019 and 2020, the amount of temporary differences related to undistributed earnings and other outside temporary differences upon which U.S. income taxes are not material to our consolidated financial statements.

The following table summarizes the changes in unrecognized tax benefits for the years ended December 31, 2019 and 2020 (in thousands):

	Gross Unrealized Tax Benefits
<b>Balance at December 31, 2018</b>	\$ 6,498
Additions for tax positions related to the current year	671
Additions for tax positions related to prior years	(913)
<b>Balance at December 31, 2019</b>	\$ 6,256
Additions for tax positions related to the current year	916
Reductions for tax positions related to prior years	59
<b>Balance at December 31, 2020</b>	<u>\$ 7,231</u>

If recognized, \$7.1 million of unrecognized tax benefits, excluding interest and penalties, would reduce our annual effective tax rate. Due to the uncertain and complex application of tax laws and regulations, it is possible that the ultimate resolution of uncertain positions may result in liabilities that could be materially different from these estimates. In such an event, we will record additional tax expense or benefit in the period in which resolution occurs. Our policy is to recognize interest and penalties related to income tax matters in income tax expense. At December 31, 2019 and 2020, accrued interest and penalties related to income tax positions were not material to our consolidated financial statements. We do not anticipate that unrecognized tax benefits will materially change within the next twelve months.

We are subject to taxation and file income tax returns in the U.S. federal, state, and foreign jurisdictions. The federal income tax return for the years 2017 through 2019 and state income tax returns for the tax years 2008 through 2019 remain open to examination. We are under examination in one state and it is not expected to have an impact on our results of operations, cash flows and financial condition.

**Note 19. Related Party Transactions**

In 2019 and 2020, we paid software and software maintenance fees of \$0.9 million and \$1.2 million, respectively, to two software vendors controlled by our largest stockholder. Amounts due to these vendors were immaterial as of December 31, 2019 and 2020.

In 2019 and 2020, we paid lead generation payments of \$2.3 million and \$0.8 million, respectively, to a vendor in which a relative of the Chairman of our Board of Directors is their President, SMB. At December 31, 2019 and 2020, amounts due to this vendor were \$0.8 million and \$1.5 million, respectively. During 2019 and 2020, we received lead generation payments of \$3.6 million and \$0.6 million, respectively, from this same vendor.

In 2020, certain former executive officers sold 2,500,000 shares of common stock to a related-party investor for \$25.0 million. Stock-compensation expense measured as the difference between the fair value of our common stock and the purchase price was not material to our consolidated financial statements.

**Note 20. Accumulated Other Comprehensive Loss**

Changes in accumulated other comprehensive income (loss) consisted of the following:

<i>(in thousands)</i>	Year Ended December 31, 2019		
	Before Tax Amount	Tax Effect	Net of Tax Amount
<i>Foreign currency translation adjustments:</i>			
<b>Beginning balance</b>	\$ 789	\$ —	\$ 789
Change during period	(2,507)	—	(2,507)
<b>Ending balance</b>	<u>\$ (1,718)</u>	<u>\$ —</u>	<u>\$ (1,718)</u>
<i>Available-for-sale debt securities:</i>			
<b>Beginning balance</b>	\$ —	\$ —	\$ —
Unrealized gains	565	—	565
Reclassification upon conversion into other equity security	(334)	—	(334)
<b>Ending balance</b>	<u>\$ 231</u>	<u>\$ —</u>	<u>\$ 231</u>
<i>Cash flow hedges:</i>			
<b>Beginning balance</b>	\$ (393)	\$ —	\$ (393)
Unrealized losses on interest rate swaps and cap	(5,234)	1,387	(3,847)
<b>Ending balance</b>	<u>\$ (5,627)</u>	<u>\$ 1,387</u>	<u>\$ (4,240)</u>
<i>Accumulated other comprehensive loss:</i>			
<b>Beginning balance</b>	\$ 396	\$ —	\$ 396
Other comprehensive loss	(7,510)	1,387	(6,123)
<b>Ending balance</b>	<u>\$ (7,114)</u>	<u>\$ 1,387</u>	<u>\$ (5,727)</u>

<i>(in thousands)</i>	Year Ended December 31, 2020		
	Before Tax Amount	Tax Effect	Net of Tax Amount
<i>Foreign currency translation adjustments:</i>			
<b>Beginning balance</b>	\$ (1,718)	\$ —	\$ (1,718)
Change during period	(1,296)	—	(1,296)
<b>Ending balance</b>	<u>\$ (3,014)</u>	<u>\$ —</u>	<u>\$ (3,014)</u>
<i>Available-for-sale debt securities:</i>			
<b>Beginning balance</b>	\$ 231	\$ —	\$ 231
Unrealized gains	144	(36)	108
Loss from impairment	(94)	—	(94)
<b>Ending balance</b>	<u>\$ 281</u>	<u>\$ (36)</u>	<u>\$ 245</u>
<i>Cash flow hedges:</i>			
<b>Beginning balance</b>	\$ (5,627)	\$ 1,387	\$ (4,240)
Unrealized loss on interest rate swaps and cap	(12,756)	3,178	(9,578)
Reclassification of losses from interest rate cap to net income	194	(48)	146
Reclassification of prior hedge effectiveness to net income	3,481	(867)	2,614
<b>Ending balance</b>	<u>\$ (14,708)</u>	<u>\$ 3,650</u>	<u>\$ (11,058)</u>
<i>Accumulated other comprehensive loss:</i>			
<b>Beginning balance</b>	\$ (7,114)	\$ 1,387	\$ (5,727)
Other comprehensive loss	(10,327)	2,227	(8,100)
<b>Ending balance</b>	<u>\$ (17,441)</u>	<u>\$ 3,614</u>	<u>\$ (13,827)</u>



**Note 21. 401(k) Savings Plan**

We have a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Under the 401(k) plan, matching contributions are based upon the amount of the employees' contributions subject to certain limitations. We contributed \$1.7 million and \$1.8 million to the 401(k) plan during 2019 and 2020, respectively.

**Note 22. Subsequent Events**

In March 2021, we granted 833,541 LERSUs and 30,434 performance RSUs to various employees. The LERSUs have a weighted-average grant-date fair value of \$11.50 per share. The performance RSUs have a weighted-average grant-date fair value of \$1.57 per share and will be recognized upon the consummation of a CIC event, which includes an IPO, merger, acquisition, or sale of more than 50% of our assets.

We evaluated all subsequent events through April 6, 2021, the date these consolidated financial statements were available to be issued.

**LegalZoom.com, Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
**December 31, 2020 and March 31, 2021**  
*(In thousands, except par values)*

	December 31, 2020	March 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 114,470	\$ 141,175
Accounts receivable	8,555	10,713
Prepaid expenses and other current assets	10,536	12,227
Total current assets	133,561	164,115
Property and equipment, net	51,374	50,361
Goodwill	11,404	11,411
Intangible assets, net	815	543
Deferred income taxes	22,807	25,032
Restricted cash equivalent	25,000	25,000
Available-for-sale debt securities	1,050	1,073
Other assets	6,053	7,274
Total assets	<u>\$ 252,064</u>	<u>\$ 284,809</u>
<b>Liabilities, redeemable convertible preferred stock and stockholders' deficit</b>		
Current liabilities:		
Accounts payable	\$ 28,734	\$ 35,287
Accrued expenses and other current liabilities	41,028	56,415
Deferred revenue	127,142	145,888
Current portion of long-term debt	3,029	3,035
Total current liabilities	199,933	240,625
Long-term debt, net of current portion	512,362	511,594
Deferred revenue	2,937	2,570
Other liabilities	16,558	12,734
Total liabilities	<u>731,790</u>	<u>767,523</u>
Commitments and contingencies (Note 6)		
Series A redeemable convertible preferred stock, \$0.001 par value; 30,512 shares authorized at December 31, 2020 and March 31, 2021; 23,081 issued and outstanding at December 31, 2020 and March 31, 2021	70,906	70,906
Stockholders' deficit:		
Common stock, \$0.001 par value; 264,720 shares authorized; 125,037 and 125,299 shares issued and outstanding at December 31, 2020 and March 31, 2021, respectively	126	126
Additional paid-in capital	102,417	106,288
Accumulated deficit	(639,348)	(649,171)
Accumulated other comprehensive loss	(13,827)	(10,863)
Total stockholders' deficit	<u>(550,632)</u>	<u>(553,620)</u>
<b>Total liabilities, redeemable convertible preferred stock and stockholders' deficit</b>	<u>\$ 252,064</u>	<u>\$ 284,809</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**LegalZoom.com, Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
**Three months ended March 31, 2020 and 2021**  
*(In thousands, except per share amounts)*

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
Revenue	\$ 105,795	\$ 134,632
Cost of revenue	35,112	43,960
Gross profit	70,683	90,672
Operating expenses:		
Sales and marketing	43,481	71,361
Technology and development	10,543	10,499
General and administrative	12,661	13,165
Impairment of long-lived and other assets	555	—
Total operating expenses	67,240	95,025
Income (loss) from operations	3,443	(4,353)
Interest expense, net	(9,270)	(8,654)
Other (expense) income, net	(1,106)	248
Loss before income taxes	(6,933)	(12,759)
Benefit from income taxes	(2,055)	(2,936)
Net loss	\$ (4,878)	\$ (9,823)
Net loss attributable to common stockholders – basic and diluted	\$ (4,878)	\$ (9,823)
Net loss per share attributable to common stockholders – basic and diluted	\$ (0.04)	\$ (0.08)
Weighted-average shares used to compute net loss per share attributable to common stockholders – basic and diluted	124,411	125,065

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**LegalZoom.com, Inc.**  
**Unaudited Condensed Consolidated Statements of Comprehensive Loss**  
**Three Months Ended March 31, 2020 and 2021**  
*(In thousands)*

	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2021</u>
Net loss	\$ (4,878)	\$ (9,823)
Other comprehensive loss (income), net of tax:		
Change in foreign currency translation adjustments:	2,272	(147)
Unrealized gains from available-for-sale debt securities:	—	13
Change in unrealized (loss) gain on cash flow hedges:		
Unrealized (loss) gain on interest rate cap and swaps	(7,286)	2,081
Reclassification of prior hedge effectiveness and losses from interest rate cap to net loss	122	1,017
Total net changes in cash flow hedges	(7,164)	3,098
Total other comprehensive (loss) income	(4,892)	2,964
Total comprehensive loss	<u>\$ (9,770)</u>	<u>\$ (6,859)</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**LegalZoom.com, Inc.**  
**Unaudited Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit**  
**Three Months Ended March 31, 2020 and 2021**  
*(In thousands)*

	Series A Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2019</b>	<u>23,081</u>	<u>\$70,906</u>	<u>124,382</u>	<u>\$ 125</u>	<u>\$ 92,916</u>	<u>\$ (644,305)</u>	<u>\$ (5,727)</u>	<u>\$ (556,991)</u>
Issuance of common stock upon exercise of stock options	—	—	410	—	158	—	—	158
Issuance of common stock upon vesting of restricted stock awards	—	—	136	—	—	—	—	—
Shares surrendered for settlement of minimum statutory tax withholdings	—	—	(197)	—	(2,124)	—	—	(2,124)
Stock-based compensation	—	—	—	—	4,102	—	—	4,102
Net issuance and repayments of full recourse notes receivable	—	—	—	—	(6)	—	—	(6)
Special dividends	—	—	—	—	(73)	—	—	(73)
Other comprehensive loss	—	—	—	—	—	—	(4,892)	(4,892)
Net loss	—	—	—	—	—	(4,878)	—	(4,878)
<b>Balance at March 31, 2020</b>	<u>23,081</u>	<u>\$70,906</u>	<u>124,731</u>	<u>\$ 125</u>	<u>\$ 94,973</u>	<u>\$ (649,183)</u>	<u>\$ (10,619)</u>	<u>\$ (564,704)</u>
<b>Balance at December 31, 2020</b>	<u>23,081</u>	<u>\$70,906</u>	<u>125,037</u>	<u>\$ 126</u>	<u>\$ 102,417</u>	<u>\$ (639,348)</u>	<u>\$ (13,827)</u>	<u>\$ (550,632)</u>
Issuance of common stock upon exercise of stock options	—	—	244	—	151	—	—	151
Issuance of common stock upon vesting of restricted stock awards	—	—	27	—	—	—	—	—
Stock-based compensation	—	—	—	—	3,799	—	—	3,799
Shares surrendered for settlement of minimum statutory tax withholdings	—	—	(9)	—	(100)	—	—	(100)
Net interest and repayment of full recourse notes receivables	—	—	—	—	44	—	—	44
Special dividends	—	—	—	—	(23)	—	—	(23)
Other comprehensive income	—	—	—	—	—	—	2,964	2,964
Net loss	—	—	—	—	—	(9,823)	—	(9,823)
<b>Balance at March 31, 2021</b>	<u>23,081</u>	<u>\$70,906</u>	<u>125,299</u>	<u>\$ 126</u>	<u>\$ 106,288</u>	<u>\$ (649,171)</u>	<u>\$ (10,863)</u>	<u>\$ (553,620)</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**LegalZoom.com, Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2020 and 2021**  
*(In thousands)*

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (4,878)	\$ (9,823)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,920	4,166
Amortization of debt issuance costs	647	634
Amortization of prior hedge effectiveness	98	1,328
Stock-based compensation	4,088	3,786
Impairment of long-lived assets	555	—
Deferred income taxes	(2,389)	(3,259)
Financial guarantee	(1,200)	(75)
Change in fair value of derivative instruments	73	28
Unrealized foreign exchange loss (gain)	2,362	(107)
Other	(1)	4
Changes in operating assets and liabilities:		
Accounts receivable	(636)	(2,156)
Prepaid expenses and other current assets	(2,014)	(1,344)
Other assets	(99)	(215)
Accounts payable	3,335	6,026
Accrued expenses and other liabilities	7,461	14,062
Income tax payable	6	(1)
Deferred revenue	9,561	18,361
Net cash provided by operating activities	<u>21,889</u>	<u>31,415</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,988)	(2,911)
Net cash used in investing activities	<u>(1,988)</u>	<u>(2,911)</u>
<b>Cash flows from financing activities</b>		
Repayment of capital lease obligations	(8)	(8)
Repayment of 2018 Term Loan	(1,337)	(1,337)
Repayment of hybrid debt	—	(546)
Proceeds from 2018 Revolving Facility	40,000	—
Deferred offering costs	—	(8)
Payment of special dividends	(101)	(25)
Shares surrendered for settlement of minimum statutory tax withholdings	(2,002)	(100)
Proceeds from exercise of stock options, net of cash paid for employee tax withholding	37	190
Net cash provided by (used in) financing activities	<u>36,589</u>	<u>(1,834)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalent	(185)	35
Net increase in cash, cash equivalents and restricted cash equivalent	56,305	26,705
Cash, cash equivalents and restricted cash equivalent, at beginning of the period	74,180	139,470
<b>Cash, cash equivalents and restricted cash equivalent, at end of the period</b>	<b><u>\$ 130,485</u></b>	<b><u>\$ 166,175</u></b>

**LegalZoom.com, Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows (continued)**  
**Three Months Ended March 31, 2020 and 2021**  
*(In thousands)*

	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2021</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash equivalent reported in the consolidated balance sheets</b>		
Cash and cash equivalents	\$ 105,485	\$ 141,175
Restricted cash equivalent	<u>25,000</u>	<u>25,000</u>
Total cash, cash equivalents, and restricted cash equivalent shown in the consolidated statements of cash flows	<u>\$ 130,485</u>	<u>\$ 166,175</u>
<b>Non-cash investing and financing activities</b>		
Purchase of property and equipment included in accounts payable and accrued expenses and other current liabilities	\$ 729	\$ 1,009
Change in fair value of hedged interest rate swaps and interest rate cap	(2,642)	(2,771)
Transfer of interest rate swaps derivative liability to hybrid debt	12,345	—
Deferred offering costs included in accounts payable and accrued expenses and other current liabilities	—	1,288

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements*

**LegalZoom.com, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**Note 1. Description of Business**

LegalZoom.com, Inc., was initially formed as a California corporation in 1999 and reincorporated as a Delaware corporation in 2007. LegalZoom.com, Inc., and its wholly owned subsidiaries, or referred to herein as “we,” “us,” or “our” has its executive headquarters in Glendale, California, its operational headquarters in Austin, Texas and additional locations in Frisco, Texas and London in the U.K. We are a provider of services that meet the legal needs of small businesses and consumers. We offer a broad portfolio of legal services through our online legal platform that customers can tailor to their specific needs. In the United States, or U.S., we also offer several subscription services, including legal plans through which businesses and consumers can be connected to an experienced attorney licensed in their jurisdiction, registered agent services, tax and compliance services and unlimited access to our forms library.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020 and the related notes thereto. The December 31, 2020 condensed consolidated balance sheet was derived from our audited consolidated financial statements as of that date. Our unaudited condensed consolidated financial statements include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of the condensed consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. There have been no significant changes in accounting policies during the three months ended March 31, 2021 from those disclosed in the annual consolidated financial statements for the year ended December 31, 2020 and the related notes.

The operating results for the three months ended March 31, 2021 are not necessarily indicative of the results expected for the full year ending December 31, 2021.

*Segment Reporting and Geographic Information*

Our Chief Executive Officer, as the CODM organizes our company, manages resource allocations, and measures performance on the basis of one operating segment.

Revenue outside of the United States, based on the location of the customer, represented 3% and 1% of our consolidated revenue for the three months ended March 31, 2020 and 2021, respectively. Our property and equipment located outside of the United States was 1% of our consolidated property and equipment as of December 31, 2020 and March 31, 2021.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent liabilities in the unaudited condensed consolidated financial statements and accompanying notes. Estimates are used for, however not limited to, revenue recognition, sales allowances and credit reserves, available-for-sale debt securities, valuation of long-lived assets and goodwill, income taxes, commitments and contingencies, valuation of assets and liabilities acquired in business combinations, fair value of derivative instruments and stock-based compensation. Actual results could differ materially from those estimates.



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The extent to which COVID-19 impacts our business and financial results will depend on numerous continuously evolving factors including, but not limited to, the magnitude and duration of COVID-19, including resurgences; the impact on our employees; the extent to which it will impact worldwide macroeconomic conditions, including interest rates, employment rates, and health insurance coverage; the speed and degree of the anticipated recovery, as well as variability in such recovery across different geographies, industries, and markets; and governmental and business reactions to the pandemic. We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of COVID-19 as of March 31, 2021 and through the date of issuance of these unaudited condensed consolidated financial statements. The accounting matters assessed included, but were not limited to, our allowance for doubtful accounts, sales allowances, and the carrying value of goodwill and other long-lived assets. While there was not a material impact on our unaudited condensed consolidated financial statements at and for the three months ended March 31, 2021, our future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to our unaudited condensed consolidated financial statements in future reporting periods.

### *Certain Risks and Concentrations*

We maintain accounts in U.S. and U.K. banks with funds insured by the FDIC and the FSCS. Our bank accounts may, at times, exceed the FDIC and FSCS insured limits. Financial instruments that potentially subject us to credit risk consist principally of cash and cash equivalents. Management believes that we are not exposed to any significant credit risk related to our cash or cash equivalents and have not experienced any losses in such accounts.

No single customer comprised 10% or more of our total revenues for the three months ended March 31, 2020 and 2021. At December 31, 2020 there was one customer who accounted for 20% of our accounts receivable balance. No single customer had an account receivable balance of 10% or greater of the total receivable as of March 31, 2021.

### *Foreign Currency*

GBP is the functional currency for our foreign subsidiaries. The financial statements of these foreign subsidiaries are translated to U.S. Dollars using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for the period for revenue and expenses. Translation gains and losses are recorded in the accumulated other comprehensive loss as a component of our unaudited condensed consolidated statements of redeemable convertible preferred stock and stockholders' deficit. We recognized foreign currency transaction losses of \$2.4 million and gains of \$0.1 million during the three months ended March 31, 2020 and 2021, respectively.

### *Revenue Recognition*

For the three months ended March 31, 2020 and 2021, revenue comprises the following (in thousands):

	<b>Three</b>	
	<b>Months Ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
Transaction	\$ 45,586	\$ 61,388
Subscription	54,235	65,493
Partner	5,974	7,751
Total revenue	<u>\$ 105,795</u>	<u>\$ 134,632</u>

### *Deferred Offering Costs*

Deferred offering costs of \$1.3 million have been recorded as other assets on the unaudited condensed consolidated balance sheets as of March 31, 2021 and consist of costs incurred in connection with the anticipated

sale of our common stock in our IPO including certain legal, accounting, printing, and other IPO related costs. After completion of our IPO, deferred offering costs are recorded in stockholders' deficit as a reduction from the proceeds of the offering. Should we terminate our planned IPO or if there is a significant delay, the deferred offering costs would be immediately expensed in our condensed consolidated statements of operations. There were no deferred offering costs as of December 31, 2020.

## Recent Accounting Pronouncements

### *Recently Adopted Accounting Pronouncements*

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, or ASU 2019-12. This Update removes certain exceptions for performing intraperiod tax allocations, recognizing deferred taxes for investments, and calculating income taxes in interim periods. The guidance also simplifies the accounting for franchise taxes, transactions that result in a step-up in the tax basis of goodwill, and the effect of enacted changes in tax laws or rates in interim periods. We early adopted ASU 2019-12 in the first quarter of 2021 and the adoption had no material impact to our unaudited condensed consolidated financial statements.

### *Accounting Pronouncements Not Yet Adopted*

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, or ASU 2016-02. The guidance requires lessees to recognize most leases as right of use assets and lease liabilities on the balance sheet and also requires additional qualitative and quantitative disclosures to enable users to understand the amount, timing and uncertainty of cash flows arising from leases. The original guidance required application on a modified retrospective basis to the earliest period presented. In August 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which includes an option to not restate comparative periods in transition, however, to elect to use the effective date of ASU 2016-02, as the date of initial application of transition. In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which made further targeted improvements including clarification regarding the determination of fair value of lease assets and liabilities and statement of cash flows and presentation guidance. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which extended the effective date of this guidance for non-public entities to fiscal years beginning after December 15, 2021. The Update is effective for our annual reporting period beginning on January 1, 2022. We are currently evaluating the impacts the adoption of these Updates will have on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, or ASU 2016-13, as amended, which revises the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses on financial instruments, including, but not limited to, available-for-sale debt securities and accounts receivable. These Updates are effective for our annual reporting period beginning on January 1, 2023. We are currently evaluating the impacts the adoption of these Updates will have on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848) — Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, that provides optional relief to applying reference rate reform to contracts, hedging relationships, and other transactions that reference LIBOR, which will be discontinued by the end of 2021. Also, in January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848) — Scope*, to clarify that cash flow hedges are eligible for certain optional expedients and exceptions for the application of subsequent assessment methods to assume perfect effectiveness as previously presented in ASU 2020-04. The amendments in these Updates are effective immediately and may be applied through December 31, 2022. We are currently evaluating the impacts the adoption of these Updates will have on our consolidated financial statements.

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

Changes in the allowance consisted of the following (in thousands):

	Three Months Ended March 31,	
	2020	2021
<b>Beginning balance</b>	\$ 2,461	\$ 5,256
Add: amounts recognized as a reduction of revenue	1,725	1,582
Add: bad debt expense recognized in general and administrative expense	—	15
Less: write-offs, net of recoveries	(2,820)	(2,144)
<b>Ending balance</b>	<u>\$ 1,366</u>	<u>\$ 4,709</u>

The allowance recognized as a reduction of revenue primarily relates to our installment plan receivables for which we expect we will not be entitled to a portion of the transaction price based on our historical experience with similar transactions. The allowance recognized against general and administrative expense represents an allowance relating to receivables from partners that are no longer considered collectible.

*Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets consisted of the following (in thousands):

	December 31,	March 31,
	2020	2021
Prepaid expenses	\$ 7,177	\$ 8,127
Deferred cost of revenue	1,967	2,399
Other current assets	1,392	1,701
Total prepaid expenses and other current assets	<u>\$ 10,536</u>	<u>\$ 12,227</u>

*Accrued Expenses and Other Current Liabilities*

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

	December 31,	March 31,
	2020	2021
Accrued payroll and related expenses	\$ 16,135	\$ 13,759
Accrued vendor payables	10,854	16,718
Derivative liabilities and hybrid debt	5,131	5,472
Sales allowances	4,856	4,309
Accrued sales, use and business taxes	1,789	1,825
Accrued advertising	173	12,143
Other	2,090	2,189
Total accrued expenses and other current liabilities	<u>\$ 41,028</u>	<u>\$ 56,415</u>

Changes in sales allowances relating to chargebacks, sales credits and refunds consisted of the following (in thousands):

	Three Months Ended March 31,	
	2020	2021
<b>Beginning balance</b>	\$ 4,651	\$ 4,856
Add: increase in sales allowances	9,913	7,583
Less: utilization of reserves	(9,800)	(8,130)
<b>Ending balance</b>	<u>\$ 4,764</u>	<u>\$ 4,309</u>

*Depreciation and Amortization*

Depreciation and amortization expense of our property and equipment, including capitalized internal-use software, and intangible assets consisted of the following (in thousands):

	Three Months Ended March 31,	
	2020	2021
Cost of revenue	\$1,958	\$1,678
Sales and marketing	1,849	1,475
Technology and development	650	587
General and administrative	463	426
<b>Total depreciation and amortization expense</b>	<u>\$4,920</u>	<u>\$4,166</u>

*Deferred Revenue*

Deferred revenue as of December 31, 2020 and March 31, 2021 was \$130.1 million and \$148.5 million, respectively. The Company recognized \$53.6 million and \$66.6 million of revenues during the three months ended March 31, 2020 and 2021, respectively, that was included in the deferred revenue balances as of December 31, 2019 and 2020, respectively. We expect to recognize substantially all of the remaining deferred revenue as of December 31, 2020 as revenue in 2021. We expect substantially all of the deferred revenue at March 31, 2021 will be recognized as revenue within the next twelve months.

We have omitted disclosure about the transaction price allocated to remaining performance obligations and when revenue will be recognized as revenue as our contracts with customers that have a duration of more than one year are immaterial.

**Note 4. Long-term Debt**

A reconciliation of the scheduled maturities to the consolidated balance sheets is as follows (in thousands):

	December 31, 2020	March 31, 2021
Current portion of 2018 Term Loan	\$ 5,350	\$ 5,350
Current portion of discount and unamortized debt issuance costs	(2,321)	(2,315)
<b>Total current portion of long-term debt</b>	<u>\$ 3,029</u>	<u>\$ 3,035</u>
Noncurrent portion of 2018 Term Loan	\$ 518,950	\$517,613
Noncurrent portion of discount and unamortized debt issuance costs	(6,588)	(6,019)
<b>Total long-term debt, net of current portion</b>	<u>\$ 512,362</u>	<u>\$511,594</u>

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At March 31, 2021, aggregate future principal payments are as follows (in thousands):

2021 (remaining nine months)	\$ 4,013
2022	5,350
2023	5,350
2024	508,250
Total outstanding principal of 2018 Term Loan	522,963
Less: current portion of 2018 Term Loan	(5,350)
Outstanding principal of 2018 Term Loan, net of current portion	<u>\$517,613</u>

In March 2020, in response to the World Health Organization's declaration of COVID-19, we drew down the full \$40.0 million available from our 2018 Revolving Facility. The 2018 Revolving Facility was paid in full in May 2020.

As of March 31, 2021, total borrowings under our 2018 Term Loan was \$523.0 million. We determined that the fair value of our long-term debt approximates its carrying value as of December 31, 2020 and March 31, 2021. We estimated the fair value of our long-term debt using Level 2 inputs based on recent observable trades of our 2018 Term Loan. The effective interest rate of the 2018 Term Loan is 5.1% and 5.0% for December 31, 2020 and March 31, 2021, respectively. At December 31, 2020 and March 31, 2021, we had no amounts outstanding under our 2018 Revolving Facility or any outstanding letters of credit. We were in compliance with the financial covenants under the 2018 Credit Facility as of December 31, 2020 and March 31, 2021.

#### Note 5. Derivatives

Due to the impact of COVID-19 and decreases in LIBOR, in March 2020, we entered into two blend-and-extend transactions to modify our initial swaps where the derivative liability of \$12.3 million was carried over to the modified swaps, the fixed rate of 2.3% on the initial swaps was modified to a new average fixed interest rate of 1.7% and the maturity date was extended by two years to April 2024. The notional amount of each modified swap was \$96.6 million. At the time of modification, the initial swaps were de-designated as cash flow hedges and amounts in other comprehensive income were frozen and are amortized to interest expense over the life of the original hedge relationship. As the modified swaps were considered off-market, they were accounted for as a debt host, and an embedded at-market derivative was bifurcated from the debt host. The at-market portion of the modified swaps were designated as cash flow hedges. The hybrid debt host is accounted for at amortized cost basis and will be amortized as we settle our modified swaps over the extended term with related interest recognized in interest expense, net in the accompanying consolidated statements of operations.

Our interest rate cap matured on March 31, 2021.

Derivative financial instruments and hybrid debt consisted of the following (in thousands):

	December 31, 2020	March 31, 2021
Interest rate swaps derivative liability, current portion	\$ 2,177	\$ 2,253
Interest rate swaps	\$ 3,640	\$ 793
Financial guarantee	150	75
Total derivative liability, net of current portion	\$ 3,790	\$ 868
Hybrid debt, current portion	\$ 2,954	\$ 3,219
Hybrid debt, net of current portion	\$ 8,152	\$ 7,342

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The impact from losses from our interest rate cap, interest rate swaps, and hybrid debt on our consolidated statements of operations were as follows (in thousands):

	Three Months Ended March, 31	
	2020	2021
Net payments upon settlement of interest rate swaps	\$329	\$ 444
Amortization of prior hedge effectiveness	—	1,328
Amortization of interest rate cap premium	62	28
Interest expense on hybrid debt	11	188
Total, recorded in interest expense, net	<u>\$402</u>	<u>\$1,988</u>

### Note 6. Commitments and Contingencies

#### Operating Leases

We conduct operations from certain leased facilities in various locations. At March 31, 2021, we had various non-cancelable operating leases for office space and equipment, which expire between December 2021 and December 2022. Future minimum payments under operating leases at March 31, 2021 are as follows (in thousands):

	Operating Leases
2021 (remaining nine months)	\$ 2,457
2022	1,786
Total minimum lease payments	<u>\$ 4,243</u>

#### Advertising, Media and Other Commitments

We use a variety of media to advertise our services, including search engine marketing, television and radio. At March 31, 2021, we had non-cancelable minimum advertising and media commitments for future advertising spots of \$3.4 million, substantially all of which will be paid during 2021. We also have non-cancelable agreements with various vendors, which require us to pay \$13.4 million over a five-year period, of which \$8.9 million remains to be paid as of March 31, 2021.

#### Legal Proceedings

We received a demand letter dated April 20, 2020 from service partner Dun & Bradstreet alleging that Dun & Bradstreet had overpaid us for services. The letter alleges these overpayments occurred between 2015 and 2019, amounted to \$5.6 million, and were caused by overreporting by us. We deny and will continue to deny all of the allegations and claims asserted by Dun & Bradstreet, including, but not limited to, any allegation that the respondent has suffered any harm or damages. We believe we have meritorious defenses to the claims and will vigorously defend any action. We are unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, a loss is not probable of having occurred. We cannot make an estimate of the possible loss or range of loss. Accordingly, we have not recorded any loss or accrual in the accompanying consolidated financial statements at March 31, 2021 for this matter. If this matter is not resolved in our favor, the losses arising from the result of litigation or settlements may have a material adverse effect on our business, results of operations, cash flows and financial condition.

We initiated an arbitration on October 28, 2020 against one of our vendors. The demand for arbitration alleges breach of contract, breach of covenant of good faith and fair dealing, and seeks declaratory relief and at least \$5.6 million in damages. On December 7, 2020, the vendor filed a counterdemand alleging breach of

contract and breach of the covenant of good faith and fair dealing, seeking declaratory relief and at least \$6.1 million in damages. We replied to the counterdemand on January 19, 2021. A hearing has been scheduled for November 19, 2021. We deny and will continue to deny all of the allegations and claims asserted in the counterdemand, including, but not limited to, any allegation that the respondent has suffered any harm or damages. We believe we have meritorious defenses to the claims and will vigorously defend any action. We are unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, a loss is not probable of having occurred. We cannot make an estimate of the possible loss or range of loss. Accordingly, we have not recorded any loss or accrual in the accompanying consolidated financial statements at March 31, 2021 for this matter. If this matter is not resolved in our favor, the losses arising from the result of litigation or settlements may have a material adverse effect on our business, results of operations, cash flows and financial condition.

We were served on February 9, 2021 with a class action complaint, filed in Los Angeles Superior Court and removed to federal court on March 11, 2021, from a Florida resident who claims to have visited the [www.legalzoom.com](http://www.legalzoom.com) website. The plaintiff alleges that the website's use of session replay software was an unlawful interception of electronic communications under the Florida Security Communications Act. The plaintiff seeks damages on behalf of the purported class as well as injunctive and declaratory relief. We filed a motion to compel arbitration on April 16, 2021. We believe we have meritorious defenses to the claims and will vigorously defend any action. We are unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, a loss is not probable of having occurred. We cannot make an estimate of the possible loss or range of loss. Accordingly, we have not recorded any loss or accrual in the accompanying consolidated financial statements at March 31, 2021 for this matter. If this matter is not resolved in our favor, the losses arising from the result of litigation or settlements may have a material adverse effect on our business, results of operations, cash flows and financial condition.

We are involved in inactive state administrative inquiries relating to the unauthorized practice of law or insurance. Because these are inquiries and no claims have been alleged or asserted against us, we cannot predict the outcome of these inquiries or whether these matters will result in litigation or any outcome of potential litigation.

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. Other than described above, we are not currently a party to any material legal proceedings, nor are we aware of any pending or threatened litigation that would have a material adverse effect on our results of operations, cash flows, and financial condition, should such litigation be resolved unfavorably.

#### **Note 7. Stock-based Compensation**

##### *Stock-based Compensation Cost*

We recorded stock-based compensation cost in the following categories in the accompanying consolidated statements of operations and balance sheets (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
Cost of revenue	\$ 37	\$ 59
Sales and marketing	2,697	3,150
Technology and development	643	207
General and administrative	950	526
Total stock-based compensation expense	4,327	3,942
Amount capitalized to internal-use software	15	13
Total stock-based compensation	<u>\$4,342</u>	<u>\$3,955</u>

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Stock option activity for the three months ended March 31, 2021 is as follows (in thousands, except weighted-average exercise price and remaining contract life):

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
<b>Outstanding at December 31, 2020</b>	15,235	\$ 8.78	8.7	\$ 15,873
Granted	—	—		
Exercised	(244)	0.61		
Cancelled/forfeited	(38)	1.76		
<b>Outstanding at March 31, 2021</b>	<u>14,953</u>	\$ 8.93	8.5	\$113,655
<b>Vested and expected to vest at March 31, 2021</b>	10,416	\$ 8.56	8.1	\$ 82,985
<b>Exercisable at March 31, 2021</b>	2,753	\$ 5.45	6.7	\$ 30,503

We did not grant stock options during the three months ended March 31, 2021. The weighted-average assumptions that were used to calculate the grant-date fair value of our stock option grants using the Black-Scholes option pricing model were as follows:

	Three Months Ended March 31, 2020
Expected life (years)	5.1
Risk-free interest rate	1.6%
Expected volatility	43%
Expected dividend yield	—

At March 31, 2021, total remaining stock-based compensation expense for unvested awards is \$34.5 million, of which \$17.9 million for time-based options are expected to be recognized over a weighted-average period of 2.6 years, up to \$8.2 million for various performance options, which will only vest upon the consummation of a CIC event and \$8.4 million for a performance option, which is expected to be recognized over a remaining period of 2.5 years unless a CIC event occurs beforehand.

*Restricted Stock Units*

A summary of RSU activity for the three months ended March 31, 2021 is as follows (in thousands, except weighted-average grant-date fair value):

	Number of Options	Weighted- Average Grant- Date Fair Value
<b>Unvested at December 31, 2020</b>	2,499	\$ 9.53
Granted	864	11.15
Cancelled/forfeited	(19)	11.01
Vested	(35)	10.84
<b>Unvested at March 31, 2021</b>	<u>3,309</u>	<u>\$ 9.93</u>

The fair value of vested RSUs for the three months ended March 31, 2020 and 2021 was \$1.7 million and \$0.4 million, respectively. Our RSUs consist of time-based RSUs and various performance RSUs. At March 31, 2021,



total remaining stock-based compensation expense for unvested RSU awards is \$32.2 million, of which \$4.1 million for time-based RSUs is expected to be recognized over a weighted-average period of 2.3 years, and up to \$28.1 million for various performance RSUs, which will vest upon the consummation of a CIC event and subsequently thereafter for any remaining service period.

In March 2021, we granted 833,541 LERSUs and 30,434 performance RSUs to various employees. The LERSUs have a weighted-average grant-date fair value of \$11.50 per share. The performance RSUs have a weighted-average grant-date fair value of \$1.57 per share and will be recognized upon the consummation of a CIC event, which includes an IPO, merger, acquisition, or sale of more than 50% of our assets.

#### **Note 8. Income Taxes**

We account for income taxes in accordance with ASC 740, *Income Taxes*, which requires an estimate of the annual effective tax rate for the full year to be applied to the interim period, taking into account year-to-date amounts and projected results for the full year. Our effective tax rate could fluctuate significantly from quarter to quarter based on recurring and nonrecurring factors including, but not limited to: variations in the estimated and actual level of pre-tax income or loss by jurisdiction; changes in enacted tax laws and regulations, and interpretations thereof, including with respect to tax credits and state and local income taxes; developments in tax audits and other matters; recognition of excess tax benefits and tax deficiencies from stock-based compensation and certain nondeductible expenses. Changes in judgment from the evaluation of new information resulting in the recognition, derecognition, or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

We recorded a benefit from income taxes of \$2.1 million and \$2.9 million for the three months ended March 31, 2020 and 2021, respectively. The effective tax rate for the three months ended March 31, 2020 of 30% differed from the federal statutory rate of 21% primarily due to the valuation allowance against foreign losses, the recognition of significant excess tax benefits of stock-based compensation and other discrete adjustments. The effective tax rate for the three months ended March 31, 2021 of 23% differed from the federal statutory rate of 21% primarily due to the valuation allowance against foreign losses and recognition of excess tax benefits of stock-based compensation.

Gross unrecognized tax benefits were \$7.2 million and \$7.5 million as of December 31, 2020 and March 31, 2021, respectively. The gross unrecognized tax benefits, if recognized by us, will result in a reduction of approximately \$7.4 million to the provision for income taxes thereby favorably impacting our effective tax rate. Our policy is to recognize interest and penalties related to income tax matters in income tax expense. For the periods presented, interest and penalties related to income tax positions were not material to our unaudited condensed consolidated financial statements.

We are subject to taxation and file income tax returns in the U.S. federal, state, and foreign jurisdictions. The federal income tax return for the years 2017 through 2019 and state income tax returns for the tax years 2008 through 2019 remain open to examination. We are under examination in one state and it is not expected to have an impact on our results of operations, cash flows and financial condition.

#### **Note 9. Basic and Diluted Earnings Per Share**

Basic net loss attributable to common stockholders per share is computed by dividing the net loss by the weighted average number of common stock outstanding for the period. For periods in which we have reported net losses, diluted net loss per share attributable to common stockholders is the same as basic net loss per share, since the impact of potentially dilutive common stock and other equity instruments is anti-dilutive.

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The following table presents the number of options, restricted stock units and restricted stock excluded from the calculation of diluted net loss per share attributable to common stockholders because they are anti-dilutive (in thousands):

	As of March 31,	
	2020	2021
Options to purchase common stock	12,490	14,953
Restricted stock units	1,002	3,309
Restricted stock	150	50
Total	<u>13,642</u>	<u>18,312</u>

**Note 10. Fair Value Measurements**

Fair value is defined as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 — Quoted prices in active markets for identical assets and liabilities.

Level 2 — Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At December 31, 2020 and March 31, 2021, our financial assets and liabilities recorded at fair value on a recurring basis consist of cash equivalents, a restricted cash equivalent, available-for-sale debt securities, interest rate swaps, an interest rate cap and a financial guarantee derivative. Cash equivalents and the restricted cash equivalent consist of money market funds valued using quoted prices in active markets, which represent Level 1 inputs in the fair value hierarchy. Our interest rate swaps and interest rate cap are valued using observable market inputs including LIBOR, swap rates and third-party dealer quotes, which represent Level 2 inputs in the fair value hierarchy. The available-for-sale debt securities and financial guarantee derivative are valued using a Monte Carlo simulation, which include inputs that represent Level 3 inputs in the fair value hierarchy.

The carrying amounts of accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair values because of the short-term nature of these items. The fair value of our long-term debt is estimated by using quoted or sales prices of similar debt instruments, which represent Level 2 inputs in the fair value hierarchy.

The following tables summarizes our assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

	December 31, 2020		
	Level 1	Level 2	Level 3
Available-for-sale debt securities	\$ —	\$ —	\$ 1,050
Money market fund	5,208	—	—
Restricted money market fund	25,000	—	—
Total assets	<u>\$30,208</u>	<u>\$ —</u>	<u>\$ 1,050</u>
Interest rate caps and swaps	\$ —	\$ 5,817	\$ —
Financial guarantee	—	—	150
Contingent consideration	—	—	1,250
Total liabilities	<u>\$ —</u>	<u>\$ 5,817</u>	<u>\$ 1,400</u>

	March 31, 2021		
	Level 1	Level 2	Level 3
Available-for-sale debt securities	\$ —	\$ —	\$1,073
Money market fund	5,210	—	—
Restricted money market fund	25,000	—	—
Total assets	<u>\$30,210</u>	<u>\$ —</u>	<u>\$1,073</u>
Interest rate caps and swaps	\$ —	\$3,046	\$ —
Financial guarantee	—	—	75
Contingent consideration	—	—	1,250
Total liabilities	<u>\$ —</u>	<u>\$3,046</u>	<u>\$1,325</u>

**Note 11. Accumulated Other Comprehensive Loss**

Changes in accumulated other comprehensive income (loss) consisted of the following:

<i>(in thousands)</i>	Three Months Ended March 31, 2020		
	Before Tax Amount	Tax Effect	Net of Tax Amount
<i>Foreign currency translation adjustments:</i>			
<b>Beginning balance</b>	\$ (1,718)	\$ —	\$ (1,718)
Change during period	2,272	—	2,272
<b>Ending balance</b>	<u>\$ 554</u>	<u>\$ —</u>	<u>\$ 554</u>
<i>Available-for-sale debt securities:</i>			
<b>Beginning balance</b>	\$ 231	\$ —	\$ 231
Unrealized gains	—	—	—
<b>Ending balance</b>	<u>\$ 231</u>	<u>\$ —</u>	<u>\$ 231</u>
<i>Cash flow hedges:</i>			
<b>Beginning balance</b>	\$ (5,627)	\$1,387	\$ (4,240)
Unrealized loss on interest rate swaps and cap	(9,704)	2,418	(7,286)
Reclassification of losses from interest rate cap to net loss	64	(16)	48
Reclassification of prior hedge effectiveness to net loss	98	(24)	74
<b>Ending balance</b>	<u>\$(15,169)</u>	<u>\$3,765</u>	<u>\$(11,404)</u>
<i>Accumulated other comprehensive loss:</i>			
<b>Beginning balance</b>	\$ (7,114)	\$1,387	\$ (5,727)
Other comprehensive loss	(7,270)	2,378	(4,892)
<b>Ending balance</b>	<u>\$(14,384)</u>	<u>\$3,765</u>	<u>\$(10,619)</u>

<i>(in thousands)</i>	<b>Three Months Ended March 31, 2021</b>		
	<b>Before Tax Amount</b>	<b>Tax Effect</b>	<b>Net of Tax Amount</b>
<i>Foreign currency translation adjustments:</i>			
<b>Beginning balance</b>	\$ (3,014)	\$ —	\$ (3,014)
Change during period	(147)	—	(147)
<b>Ending balance</b>	<u>\$ (3,161)</u>	<u>\$ —</u>	<u>\$ (3,161)</u>
<i>Available-for-sale debt securities:</i>			
<b>Beginning balance</b>	\$ 281	\$ (36)	\$ 245
Unrealized gain	17	(4)	13
<b>Ending balance</b>	<u>\$ 298</u>	<u>\$ (40)</u>	<u>\$ 258</u>
<i>Cash flow hedges:</i>			
<b>Beginning balance</b>	\$(14,708)	\$ 3,650	\$(11,058)
Unrealized gains on interest rate swaps and cap	2,772	(691)	2,081
Reclassification of losses from interest rate cap to net loss	28	(8)	20
Reclassification of prior hedge effectiveness to net loss	1,328	(331)	997
<b>Ending balance</b>	<u>\$(10,580)</u>	<u>\$ 2,620</u>	<u>\$ (7,960)</u>
<i>Accumulated other comprehensive loss:</i>			
<b>Beginning balance</b>	\$(17,441)	\$ 3,614	\$(13,827)
Other comprehensive income	3,998	(1,034)	2,964
<b>Ending balance</b>	<u>\$(13,443)</u>	<u>\$ 2,580</u>	<u>\$(10,863)</u>

**Note 12. Subsequent Events**

Contingent consideration of \$0.5 million was paid in April 2021 in connection with our acquisition of Pure.

In April and May 2021, we granted 322,998 and 181,489 LERSUs, respectively, to various employees. The LERSUs have a weighted-average grant-date fair value of \$16.53 per share.

On May 7, 2021, the plaintiffs of the class action complaint set forth in Note 6, filed a notice of dismissal without prejudice. Should the plaintiffs refile in court or arbitration, we believe we have meritorious defenses to the claims and will vigorously defend any action.

We evaluated all subsequent events through May 17, 2021, the date these condensed consolidated financial statements were available to be issued.

**Shares**



***Common stock***

**Preliminary Prospectus**

**J.P. Morgan**

**Morgan Stanley**

**Barclays**

, 2021

**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS**

Unless the context otherwise requires, the terms “LegalZoom.com,” “LegalZoom,” “the Company,” “we,” “us,” “our” and similar references refer to LegalZoom.com, Inc. and, where appropriate, its subsidiaries.

**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale and distribution of the securities being registered. All amounts are estimates except for the U.S. Securities and Exchange Commission, or the SEC, registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the exchange listing fee. All the expenses below will be paid by the Registrant.

	<b>Amount Paid or To Be Paid</b>
SEC registration fee	*
FINRA filing fee	*
Nasdaq listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous fees and expenses	*
<b>Total</b>	<b>*</b>

\* To be filed by amendment

**Item 14. Indemnification of Directors and Officers**

We are incorporated under the laws of the State of Delaware. As permitted by Section 102 of the Delaware General Corporation Law, we have adopted provisions in our amended and restated certificate of incorporation and bylaws that limit or eliminate the personal liability of our directors for a breach of their fiduciary duties as a director, which includes a director’s duty of care, to the fullest extent permitted under Delaware law. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director’s duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission. Our amended and restated certificate of incorporation also authorizes us to indemnify our officers, employees directors and other agents to the fullest extent permitted under Delaware law.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation’s board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such

indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act. Our amended and restated certificate of incorporation to be in effect immediately after the completion of this offering provides for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our amended and restated bylaws to be in effect immediately prior to the completion of this offering provide that we will indemnify our directors, officers, employees and other agents, in each case to the maximum extent permitted by the Delaware General Corporation Law.

In addition, we have entered or will enter into indemnification agreements with our directors and officers that may in some respects be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements generally require us, among other things, to indemnify our directors and officers against certain liabilities that may arise by reason of their status or service as directors and officers, other than liabilities arising from willful misconduct. These indemnification agreements also generally require us to advance expenses incurred by the directors and officers as a result of any proceeding against them as to which they could be indemnified. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of our directors and officers for liabilities, including reimbursement of expenses incurred, arising under the Securities Act. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions.

We have purchased and currently intend to maintain insurance on behalf of each and every person who is or was our director or officer against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

The form of underwriting agreement for this initial public offering, filed as Exhibit 1.1, provides for indemnification by the underwriters of us and our directors and officers who sign this registration statement for specified liabilities, including matters arising under the Securities Act.

### **Item 15. Recent Sales of Unregistered Securities**

The following sets forth information regarding all unregistered securities sold since January 1, 2018:

1. We have issued to our directors, officers, employees, consultants and other service providers an aggregate of 11,640,724 shares of our common stock at per share purchase prices ranging from \$0.0716 to \$2.4960 pursuant to exercises of options under our 2016 Stock Incentive Plan, or 2016 Plan.
2. We have granted to our directors, officers, employees, consultants and other service providers options to purchase 14,381,373 shares of our common stock with per share exercise prices ranging from \$1.3725 to \$9.82 under our 2016 Plan.
3. We have granted to our directors, officers, employees, consultants and other service providers 6,883,661 restricted stock units to be settled into shares of our common stock under our 2016 Plan.
4. In February 2018, we issued 200,000 shares of our common stock, subject to certain forfeiture events, to an employee of one of our subsidiaries in consideration for future services to be rendered.
5. In October 2018, we issued and sold an aggregate of 18,430,684 shares of our common stock to 11 accredited investors at a price per share of \$10.48 for an aggregate purchase price of \$193.2 million.

The offers, sales and issuances of the securities described in paragraphs (1) through (3) were deemed to be exempt from registration under Rule 701 promulgated under the Securities Act as transactions under compensatory benefit plans and contracts relating to compensation, or under Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of such securities were our directors, officers, employees, consultants or other service providers and received the securities under our equity incentive

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plans. Appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions had adequate access, through employment, business or other relationships, to information about us.

The offers, sales and issuances of the securities described in paragraphs (4) and (5) were deemed to be exempt under Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D under the Securities Act as a transaction by an issuer not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access, through employment, business or other relationships, to information about us. No underwriters were involved in these transactions.

### **Item 16. Exhibits and Financial Statements**

#### (a) Exhibits

The exhibits listed below are filed as part of this registration statement.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
1.1*	Form of Underwriting Agreement.
3.1#	Fourth Amended and Restated Certificate of Incorporation of LegalZoom.com, Inc., as amended, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of LegalZoom.com, Inc., to be in effect immediately after the completion of the offering.
3.3#	Second Amended and Restated Bylaws of LegalZoom.com, Inc., as currently in effect.
3.4*	Form of Amended and Restated Bylaws of LegalZoom.com, Inc., to be in effect immediately prior the completion of the offering.
4.1*	Form of LegalZoom.com, Inc.'s Common Stock Certificate.
4.2#	Third Amended and Restated Investors' Rights Agreement, by and among LegalZoom.com, Inc. and certain of its stockholders, dated October 23, 2018.
4.3#	Registration Rights Side Letter, by and between LegalZoom.com, Inc. and Bryant Stibel Group, LLC, dated October 2, 2017.
5.1*	Opinion of Cooley LLP.
10.1+#	2016 Stock Incentive Plan and forms of award agreements.
10.2+*	2021 Equity Incentive Plan and forms of award agreements.
10.3+*	2021 Employee Stock Purchase Plan.
10.4+*	Form of Indemnification Agreement, by and between LegalZoom.com, Inc. and each of its directors and executive officers.
10.5+*	Amended and Restated Employment Agreement, by and between LegalZoom.com, Inc. and Dan Wernikoff, dated _____, 2021.
10.6+*	Amended and Restated Employment Agreement, by and between LegalZoom.com, Inc. and Shrisha Radhakrishna, dated _____, 2021.
10.7+*	Amended and Restated Employment Agreement, by and between LegalZoom.com, Inc. and Noel B. Watson, dated _____, 2021.
10.13+*	Non-Employee Director Compensation Policy.



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<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.14*	Amendment and Restatement Agreement, by and between LegalZoom.com, Inc., the other loan parties thereto and JPMorgan Chase Bank N.A., as administrative agent, dated November 23, 2018.
10.15	Office Lease by and between LegalZoom.com, Inc. and Legacy Partners II Glendale N Brand, LLC, effective August 26, 2010, as amended.
21.1*	Subsidiaries of LegalZoom.com, Inc.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
23.2*	Consent of Cooley LLP (included in Exhibit 5.1).
24.1*	Power of Attorney (included on the signature page to this registration statement).
99.1	Consent of Kantar Consulting, dated April 26, 2019.
99.2	Consent of Magid Consulting Inc., dated March 31, 2021.

\* To be submitted by amendment.

+ Indicates a management contract or compensatory plan.

# Previously filed.

### (b) Financial Statement Schedules

All financial statement schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or notes thereto.

### **Item 17. Undertakings**

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

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on \_\_\_\_\_, 2021.

**LEGALZOOM.COM, INC.**

By: \_\_\_\_\_  
Dan Wernikoff  
Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dan Wernikoff and Noel Watson, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments), and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, as amended, and all post-effective amendments thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Dan Wernikoff	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	
_____ Noel Watson	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	
_____ Dipanjan Deb	Director	
_____ Khai Ha	Director	
_____ Dipan Patel	Director	
_____ Brian Ruder	Director	

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Rob Singer	Director	
_____ Jeffrey Stibel	Director	
_____ Christine Wang	Director	
_____ David Yuan	Director	

**GLENDALE CITY CENTER  
GLENDALE, CALIFORNIA**

**OFFICE LEASE**

**LEGACY PARTNERS II GLENDALE N BRAND, LLC,**  
a Delaware limited liability company

as Landlord,

and

**LEGALZOOM.COM, INC.,**  
a Delaware corporation

as Tenant

EXECUTION COPY

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**SUMMARY OF BASIC LEASE INFORMATION**

This Summary of Basic Lease Information (“**Summary**”) is hereby incorporated into and made a part of the attached Office Lease. Each reference in the Office Lease to any term of this Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Office Lease, the terms of the Office Lease shall prevail. Any capitalized terms used herein and not otherwise defined herein shall have the meaning as set forth in the Office Lease.

**TERMS OF LEASE**

(References are to the Office Lease)

	<b>DESCRIPTION</b>
1. Date:	August 26, 2010
2. Landlord:	LEGACY PARTNERS II GLENDALE N BRAND, LLC, a Delaware limited liability company
3. Address of Landlord ( <u>Section 24.19</u> ):	LEGACY PARTNERS II GLENDALE N BRAND, LLC c/o Legacy Partners Commercial, Inc. 4000 E. Third Avenue, Suite 600 Foster City, California 94404 Attention: Executive Vice President  and  LEGACY PARTNERS II GLENDALE N BRAND, LLC 101 North Brand Boulevard, Suite 1230 Glendale, California 91203 Attention: Property Manager
4. Tenant:	LEGALZOOM.COM, INC., a Delaware corporation
5. Address of Tenant ( <u>Section 24.19</u> ):	LEGALZOOM.COM, INC. 7083 Hollywood Blvd., Suite 180 Los Angeles, California 90028 Attention: Legal Department <i>(Prior to Lease Commencement Date)</i>  and  LEGALZOOM.COM, INC. 101 North Brand Boulevard, Suite 1100 Glendale, California 91203 Attention: Legal Department <i>(After Lease Commencement Date)</i>
6. Premises ( <u>Article 1</u> ):	
6.1 Premises:	A total of 49,008 rentable and 45,681 usable square feet consisting of (i) 24,688 rentable and 23,012 usable square feet located on the entire tenth (10 <sup>th</sup> ) floor, designated as Suite 1000, and (ii) 24,320 rentable and 22,669 usable square feet of space located on the entire eleventh (11 <sup>th</sup> ) floor of the Building (as defined below), designated as Suite 1100, as set forth in <u>Exhibit A</u> attached hereto.

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6.2 Building: The Premises are located in that certain building (sometimes referred to herein as the “**Building**”) whose address is 101 North Brand Boulevard, Glendale, California 91203.

7. Term (Article 2):

- 7.1 Lease Term: One hundred twenty (120) months.
- 7.2 Delivery Date: The date of mutual execution and delivery of the Lease.
- 7.2 Lease Commencement Date: The date that is one hundred fifty (150) days following the Delivery Date, but in no event earlier than January 1, 2011.
- 7.3 Lease Expiration Date: The last day of the one hundred twentieth (120<sup>th</sup>) month following the Lease Commencement Date.
- 7.4 Amendment to Lease: Landlord and Tenant may confirm the Lease Commencement Date and Lease Expiration Date in an Amendment to Lease (Exhibit C) to be executed pursuant to Article 2 of the Office Lease.

8. Base Rent (Article 3):

Months	Annual Base Rent	Monthly Installment of Base Rent	Monthly Rental Rate per Rentable Square Foot
1* – 12	\$1,323,216.00	\$110,268.00	\$ 2.25
13 – 24	\$1,364,382.70	\$113,698.56	\$ 2.32
25 – 36	\$1,405,549.40	\$117,129.12	\$ 2.39
37 – 48	\$1,446,716.10	\$120,559.68	\$ 2.46
49 – 60	\$1,487,882.80	\$123,990.24	\$ 2.53
61 – 72	\$1,534,930.50	\$127,910.88	\$ 2.61
73 – 84	\$1,581,978.20	\$131,831.52	\$ 2.69
85 – 96	\$1,629,025.90	\$135,752.16	\$ 2.77
97 – 108	\$1,676,073.60	\$139,672.80	\$ 2.85
109 – 120	\$1,729,002.20	\$144,083.52	\$ 2.94

\* Base Rent for the second (2<sup>nd</sup>) through eleventh (11<sup>th</sup>) full months of the initial Lease Term shall be abated pursuant to the terms of Section 3.2 of this Lease.

9. Additional Rent (Article 4):

- 9.1 Expense Base Year: Calendar Year 2011.
- 9.2 Tax Expense Base Year: Calendar Year 2011.

- 9.3 Utilities Base Year: Calendar Year 2011.
- 9.4 Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs: 14.09% (49,008 rentable square feet within the Premises/347,867 rentable square feet of office space within the Building).
10. Security Deposit (Article 20): \$99,096.75, subject and pursuant to Article 20 of the Lease.
11. Parking (Article 23):  
Tenant shall have the obligation to purchase three (3) parking passes for unreserved parking spaces for every 1,000 rentable square feet of the Premises, for a total of one hundred forty-seven (147) parking passes for unreserved parking spaces (the "**Must Take Parking Passes**").  
Tenant shall have the right, but not the obligation, to purchase an additional one (1) parking pass for unreserved parking spaces for every 1,000 rentable square feet of the Premises, for a total of forty-nine (49) additional parking passes for unreserved parking spaces (the "**Optional Parking Passes**").  
Tenant shall have the right, but not the obligation, to convert up to ten percent (10%) of its parking passes for unreserved parking spaces to parking passes for reserved parking spaces (the "**Reserved Parking Passes**").
12. Brokers (Section 24.25): CB Richard Ellis, Inc. (Patrick Church and Anneke Greco) representing Landlord, and Jones Lang LaSalle Brokerage, Inc. (Michael L. McRoskey, Frank Scott, Tony Morales and Gary Horwitz) representing Tenant.
13. Reserved Area (Section 1.4): Space located on the ninth (9<sup>th</sup>) floor of the Building as set forth in Exhibit F attached to the Lease.
14. Extension Options (Extension Options Rider): Tenant shall have two (2) options to extend the Lease Term for an additional period of five (5) years each, pursuant to and in accordance with the terms and conditions of the Extension Options Rider attached to the Lease.

## OFFICE LEASE

This Office Lease, which includes the preceding Summary and the exhibits attached hereto and incorporated herein by this reference (the Office Lease, the Summary and the exhibits to be known sometimes collectively hereafter as the “**Lease**”), dated as of the date set forth in Section 1 of the Summary, is made by and between **LEGACY PARTNERS II GLENDALE N BRAND, LLC**, a Delaware limited liability company (“**Landlord**”), and **LEGALZOOM.COM, INC.**, a Delaware corporation (“**Tenant**”).

### ARTICLE 1

#### REAL PROPERTY, BUILDING AND PREMISES

1.1 Real Property, Building and Premises. Upon and subject to the terms, covenants and conditions hereinafter set forth in this Lease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in Section 6.1 of the Summary (the “**Premises**”), which Premises are part of the building commonly known as Glendale City Center (the “**Building**”) and the project including the Building (collectively, the “**Project**”). Subject to Landlord’s reasonable regulations, restrictions and guidelines, Tenant may also use the electrical and telephone rooms and the area below the concrete ceiling and above the concrete floor of the Premises and behind the walls of the Premises, including the right, in connection with construction of the Tenant Improvements pursuant to the Work Letter (including Landlord’s approval of the Final Working Drawings), to core drill between the tenth (10<sup>th</sup>) and eleventh (11<sup>th</sup>) floors of the Building (and such other floors upon which Tenant leases from Landlord more than fifty percent (50%) of the usable square footage located thereon), to install and service wire, conduit and cable that serve Tenant’s equipment in the Premises in accordance with, and subject to, the other terms and provisions of this Lease and Landlord’s rights hereunder with respect to such areas. The outline of the floor plan of the Premises is set forth in Exhibit A attached hereto. The Building, the Building’s parking facilities (the “**Parking Facilities**”), any outside plaza areas, land and other improvements surrounding the Building which are reasonably designated from time to time by Landlord as common areas appurtenant to or servicing the Building, and the land upon which any of the foregoing are situated, are herein sometimes collectively referred to as the “**Real Property**”. Tenant is hereby granted the right to the nonexclusive use of the common corridors and hallways, stairwells, elevators, restrooms and other public or common areas located within the Building, and the non-exclusive use of the areas located on the Real Property designated by Landlord from time to time as common areas for the Building (the “**Common Areas**”); provided, however, that (i) the manner in which such public and Common Areas are maintained and operated shall be at the sole discretion of Landlord, (ii) the use thereof shall be subject to such reasonable, non-discriminatory rules, regulations and restrictions as Landlord may make from time to time, which rules and regulations shall not be unreasonably or discriminatorily modified or enforced in a manner which shall materially interfere with the conduct of Tenant’s Permitted Use from the Premises or Tenant’s use of or access to the Premises or the Parking Facilities, and (iii) Tenant may not go on the roof of the Building without Landlord’s prior consent (which may be withheld in Landlord’s sole and absolute discretion) and without otherwise being accompanied by a representative of Landlord. Notwithstanding anything to the contrary contained in this Lease, Landlord shall maintain and operate the Project, the Building and all the Common Areas in a manner materially consistent with that of other first-class, high-rise office buildings in the Tri-City market area (i.e., the Glendale/Burbank/Pasadena, California area), which are comparable in terms of size, age, quality of construction, appearance, and quality of common area improvements (the “**Comparable Buildings**”). Except when and where Tenant’s right of access is specifically excluded as the result of (i) an emergency, (ii) a requirement by Applicable Laws, or (iii) a specific provision set forth in this Lease, Tenant shall have the right of access to the Premises, the Building, the Common Areas and the Parking Facilities twenty-four (24) hours per day, seven (7) days per week during the “Lease Term”, as that term is defined in Section 2.1 of this Lease. Landlord reserves the right, in its reasonable discretion, from time to time to use any of the Common Areas, and the roof, risers and conduits of the Building for telecommunications and/or any other purposes, and to do any of the following: (1) make any changes, additions, improvements, repairs and/or replacements in or to the Real Property or any portion or elements thereof, including, without limitation, expanding or decreasing the size of

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any Common Areas and other elements thereof; (2) close temporarily any of the Common Areas while engaged in making repairs, improvements or alterations to the Real Property; and (3) perform such other acts and make such other changes with respect to the Real Property as Landlord may, in the exercise of good faith business judgment, deem to be appropriate; provided, however, that no such additions to the Project, closures or changes to the Real Property shall increase Tenant's obligations (including, without limitation, Tenant's monetary obligations with respect to Tenant's Share of Operating Expenses, Tax Expenses or Utilities Costs) or materially decrease Tenant's rights under this Lease; provided further, however, Landlord shall take all commercially reasonable efforts necessary to minimize material interference with Tenant's use of the Premises and business operations therein during any such additions to the Project, closures or changes to the Real Property.

1.2 Condition of Premises. Except as expressly set forth in this Lease and in the Work Letter attached hereto as Exhibit B, Landlord shall not be obligated to provide or pay for any improvement, remodeling or refurbishment work or services related to the improvement, remodeling or refurbishment of the Premises. Except as expressly set forth in this Lease and in the Work Letter attached hereto as Exhibit B, Tenant shall accept the Premises in its "AS IS" condition on the Lease Commencement Date.

1.3 Rentable and Usable Square Feet. For purposes of this Lease, the parties hereto stipulate that the rentable square feet for the Premises and Building shall be as set forth in Sections 6.1 and 9.4 of the Summary, as calculated by Landlord pursuant to the Standard Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996 ("BOMA"), as modified by Landlord pursuant to Landlord's standard rentable area measurements for the Project. For purposes hereof, the "rentable square feet" of any ROFO Space (as hereinafter defined in Section 1.4) shall be calculated by Landlord pursuant to the BOMA standards set forth above.

1.4 Right of First Offer. During the initial Lease Term, Tenant and any Affiliate Assignee (as defined in Article 14 below) shall have the ongoing right of first offer (the "ROFO Right") with respect to Reserved Area set forth in Section 13 of the Summary (the "ROFO Space"), under the same terms and conditions hereof, except that the rental rate and any improvement allowance with respect to the ROFO Space shall be the rate specified in the applicable ROFO Notice (referenced below); provided, however, that if Tenant exercises the ROFO Right pursuant to this Section 1.4 within the first (1<sup>st</sup>) twelve (12) months of the initial Lease Term, the rental rate for the ROFO Space shall be the same rental rate for the Premises, as set forth in Section 8 of the Summary, and the Expense Base Year, Tax Expense Base Year and Utilities Base Year shall be the same as the Premises (Calendar Year 2011). Notwithstanding the foregoing (i) the lease term for Tenant's lease of the ROFO Space pursuant to Tenant's exercise of the ROFO Right shall commence only following the expiration or earlier termination of (A) any existing lease pertaining to the ROFO Space as of the date hereof (the "Existing Leases") and (B) if the ROFO Space is vacant as of the date of this Lease, the first lease pertaining to the ROFO Space entered into by Landlord after the date of this Lease (collectively, the "Superior Leases"), including any renewal or extension of any such existing or future lease, whether or not such renewal or extension is pursuant to an express written provision in such lease, and regardless of whether any such renewal or extension is consummated pursuant to a lease amendment or a new lease, and (ii) such ROFO Right shall be subordinate and secondary to all rights of expansion, first refusal, first offer or similar rights granted to (X) the tenants of the Superior Leases and (Y) any rights of other tenants of the Real Property (the rights described in items (i) and (ii), above to be known collectively as "Superior Rights"). Attached hereto as Exhibit I is a list of Superior Right holders as of the date hereof. Tenant's ROFO Right shall be on the terms and conditions set forth in this Section 1.4. It is further understood and agreed that the term for Tenant's lease of any ROFO Space leased by Tenant shall be coterminous with Tenant's lease of the Premises; provided, however, in no event shall Tenant lease the ROFO Space for a period of less than thirty-six (36) months, unless otherwise agreed by Landlord (and Tenant shall not have the right to exercise the ROFO Right unless the term of Tenant's lease of the ROFO Space will be at least three (3) years based on the remaining Term of this Lease as reasonably determined by Landlord).

1.4.1 Procedure for Offer. From time to time during the initial Lease Term, Landlord shall deliver to Tenant written notice (the “**ROFO Notice**”) if the ROFO Space will become or is expected to become available for lease to third parties (or when any ROFO Space previously offered to and declined by Tenant remains available for lease to third-parties nine (9) consecutive months following Tenant’s decline thereof), where no Superior Right holder wishes to lease such space. Pursuant to such ROFO Notice, Landlord shall offer to lease to Tenant the then available ROFO Space. The ROFO Notice shall describe the space so offered to Tenant (including the rentable square feet thereof as determined pursuant to Section 1.3 above) and shall set forth all of Landlord’s proposed terms and conditions (including the proposed material terms (e.g., Base Rent and increase thereto, if any, Additional Rent, free rent, improvement allowance, parking concessions (including free parking (if any)), build-out period and similar items) applicable to Tenant’s lease of such space (collectively, the “**ROFO Terms**”).

1.4.2 Procedure for Acceptance. If Tenant wishes to exercise Tenant’s ROFO Right with respect to the space described in the ROFO Notice, then within five (5) business days after delivery of the ROFO Notice to Tenant, Tenant shall deliver notice to Landlord (the “**ROFO Exercise Notice**”) irrevocably exercising its ROFO with respect to the entire space described in the ROFO Notice and on the ROFO Terms contained therein. If Tenant does not exercise its ROFO Right within the five (5) business day period (on all of the ROFO Terms), then for a period of nine (9) months thereafter, Landlord shall be free to lease the space described in the ROFO Notice to anyone to whom Landlord desires on any terms Landlord desires and Tenant’s ROFO Right shall thereupon automatically terminate with respect to such space; provided, however, that if Landlord intends to enter into a lease upon ROFO Terms which are, in the aggregate, materially more favorable to a prospective third (3rd) party tenant than those ROFO Terms proposed by Landlord in the ROFO Notice to Tenant, then Landlord shall first deliver written notice to Tenant (“**Second Chance Notice**”) providing Tenant with the opportunity to lease the ROFO Space on such more favorable ROFO Terms. Tenant’s failure to elect to lease the ROFO Space upon such more favorable ROFO Terms by written notice to Landlord within three (3) business days after Tenant’s receipt of such Second Chance Notice from Landlord shall be deemed to constitute Tenant’s election not to lease such space upon such more favorable ROFO Terms, in which case Landlord shall be entitled to lease such space to any third (3rd) party on terms not materially more favorable to the third (3rd) party than those set forth in the Second Chance Notice. For purposes hereof, ROFO Terms shall be materially more favorable to a third party if such ROFO Terms reflect a net effective rental rate less than ninety-five percent (95%) of the net effective rental rate (taking into account the economic terms comprising the ROFO Terms) for such ROFO Space as those proposed by Landlord in the ROFO Notice (or subsequent Second Chance Notice, if applicable) to Tenant. Notwithstanding anything to the contrary contained herein, Tenant must elect to exercise its ROFO Right, if at all, with respect to all of the space comprising the ROFO Space offered by Landlord to Tenant in a ROFO Notice at any particular time, and Tenant may not elect to lease only a portion thereof or object to any of the ROFO Terms; provided, however, if Landlord desires to lease less than such entire ROFO Space offered to Tenant, Tenant shall first have a further right to lease such smaller ROFO Space pursuant to an additional ROFO Notice and upon the terms set forth in this Section 1.4. Within fifteen (15) days of Tenant’s delivery of its notice electing to lease the ROFO Space on the ROFO Terms in accordance with the terms of this Section 1.4, and as a condition to such exercise of Tenant’s ROFO Right, Tenant shall deliver to Landlord a non-refundable deposit as set forth in the applicable ROFO Notice, which shall be credited towards the first (1st) month’s base rent and security deposit for the ROFO Space equal to the last month’s Base Rent for such ROFO Space.

1.4.3 Construction of ROFO Space. Tenant shall take the ROFO Space in its “**AS-IS**” condition (unless otherwise provided in the ROFO Notice as part of the ROFO Terms), and Tenant shall be entitled to construct improvements in the ROFO Space at Tenant’s expense, in accordance with and subject to the provisions of Article 8 of this Lease. If Tenant exercises the ROFO Right within the first (1st) twelve (12) months of the initial Lease Term, Landlord shall build to suit the ROFO Space, with Landlord’s contribution not to exceed the prorated Tenant Improvement Allowance for the Premises as set forth in the Work Letter, but in no event shall Tenant be entitled to convert any allowance or contribution by Landlord in connection with the ROFO Space to free rent.

1.4.4 Lease of ROFO Space. If Tenant timely exercises Tenant’s right to lease the ROFO Space as set forth herein, Landlord and Tenant shall execute an amendment adding such ROFO Space to this Lease upon the ROFO Terms set forth in Landlord’s ROFO Notice and upon the same non-economic terms and conditions as applicable to the original Premises. Tenant shall commence payment of Rent for the ROFO Space and the lease term of the ROFO Space shall be as provided in the ROFO Terms. The lease term for the ROFO Space shall, unless otherwise provided in the ROFO Notice as part of the ROFO Terms, expire coterminously with Tenant’s lease of the original Premises.

1.4.5 No Defaults. The rights contained in this Section 1.4 shall be personal to the original Tenant executing this Lease (the “**Original Tenant**”) and any Affiliate Assignee (as defined in Article 14 below), and may only be exercised by the Original Tenant or such Affiliate Assignee (and not any other assignee, sublessee or other transferee of the Original Tenant’s interest in this Lease) if the Original Tenant and all Affiliates collectively occupy no less than seventy-five percent (75%) of the entire Premises then being leased by Tenant as of the date of Tenant’s exercise of its ROFO Right. In addition, at Landlord’s option and in addition to Landlord’s other remedies set forth in this Lease, at law and/or in equity, Tenant shall not have the right to lease the ROFO Space as provided in this Section 1.4 if, as of the date of the ROFO Notice, or, at Landlord’s option, as of the scheduled date of delivery of such ROFO Space to Tenant, if Tenant is in monetary and/or material default under this Lease beyond the expiration of all applicable notice and cure periods. For purposes of this Lease, Tenant shall be in “material” default under this Lease if such default affects the Building structure or materially adversely affects the Systems or Equipment (as defined in Section 4.2.5 below). Further, Tenant’s right to exercise the ROFO Right shall terminate in the event Tenant exercises either the First Termination Right (as defined in Section 2.2.1 below), or the Second Termination Right (as defined in Section 2.2.2 below).

## ARTICLE 2

### LEASE TERM

2.1 Lease Term. The terms and provisions of this Lease shall be effective as of the date of this Lease except for the provisions of this Lease relating to the payment of Rent. The term of this Lease (the “**Lease Term**”) shall be as set forth in Section 7.1 of the Summary and shall commence on the date (the “**Lease Commencement Date**”) set forth in Section 7.2 of the Summary (subject, however, to the terms of the Work Letter), and shall terminate on the date (the “**Lease Expiration Date**”) set forth in Section 7.3 of the Summary, unless this Lease is sooner terminated as hereinafter provided. For purposes of this Lease, the term “Lease Year” shall mean each consecutive twelve (12) month period during the Lease Term, provided that the last Lease Year shall end on the Lease Expiration Date. Landlord shall make possession of the Premises available to Tenant no later than ten (10) business days after the date of the full execution and delivery of this Lease by Landlord and Tenant and upon Tenant’s satisfaction of its obligations in Section 10.3.6 regarding delivery of certificates of insurance and Tenant’s payment of the first month’s Base Rent and the Security Deposit (collectively, the “**Delivery Conditions**”). In the event the Delivery Conditions are satisfied but Landlord does not make possession of the Premises available to Tenant on or before the expiration of such ten (10) business day period, then Tenant shall have the right to terminate this Lease by providing Landlord with written notice of such termination at anytime prior to Landlord making possession of the Premises available to Tenant with such termination to be effective upon Landlord’s receipt of such termination notice. Upon such termination of this Lease, Landlord shall return the Security Deposit and any pre-paid Base Rent to Tenant and the parties shall be released from all obligations under this Lease except for those obligations which expressly survive the expiration or sooner termination of this Lease. Upon the occurrence of the Lease Commencement Date set forth in Section 7.2 of the Summary, within a reasonable period of time after the date Tenant takes possession of the Premises, Landlord shall deliver to Tenant an amendment to lease in the form attached hereto as Exhibit C, setting forth the Lease Commencement Date and the Lease Expiration Date, and Tenant shall execute and return such amendment to Landlord within ten (10) business days after Tenant’s receipt thereof (provided that if said notice is not factually correct, then Tenant shall make such changes as are necessary to make the notice factually correct and shall thereafter execute and return such notice to Landlord within such ten (10) business day period).



## 2.2 Early Termination Rights.

2.2.1 First Termination Right. Tenant shall have the one (1) time right (the “**First Termination Right**”) to terminate and cancel this Lease with respect to all or any of the suites (the total of which comprise approximately 9,150 rentable square feet) on the tenth (10th) floor of the Building more particularly identified on Exhibit A-1 attached hereto (the “**First Terminated Space**”), effective as of the date (the “**First Termination Date**”) designated by Tenant in the First Termination Notice, which shall be at anytime between the twenty-fourth (24th) and thirty-sixth (36th) full months of the initial Lease Term and which First Termination Date shall be at least nine (9) months following Tenant’s delivery of the First Termination Notice, subject to and in accordance with the terms of this Section 2.2.1. Notwithstanding anything above to the contrary, the actual space which will comprise the First Terminated Space shall be terminated (by such one-time right) in the following space order: “A,” “C,” “B,” and “D” as depicted on Exhibit A-1. Tenant’s exercise of the First Termination Right is contingent upon (i) Tenant’s delivery to Landlord on or before the date which is nine (9) months prior to the First Termination Date, written notice of Tenant’s exercise of such right (the “**First Termination Notice**”), and (ii) Tenant’s payment to Landlord of a flat fee in the amount of One Hundred Thirty-Five Thousand Dollars (\$135,000.00) (the “**First Termination Consideration**”). If Tenant properly exercises the First Termination Option set forth in this Section 2.2.1 in strict accordance with the terms hereof, this Lease shall expire at midnight on the First Termination Date with respect to the First Terminated Space only, and Tenant shall be required to surrender the First Terminated Space to Landlord on or prior to the First Termination Date in accordance with the applicable provisions of this Lease. In addition, Tenant, at Tenant’s sole cost and expense, shall be required to redemise the Premises, construct a Building-standard corridor (including entry doors) to provide access between the First Terminated Space and the elevator lobby and bathrooms on such floor of the Building pursuant to plans approved by Landlord and otherwise in accordance with Article 8 of this Lease; provided, however, Landlord shall be responsible, at its sole cost and expense (and not as an Operating Expense) for completing any other alterations required for the First Terminated Space to be in a leasable, Building-standard condition. The First Termination Right set forth in this Section 2.2.1 is personal to the Original Tenant or any Affiliate Assignee, and may only be executed by the Original Tenant or such Affiliate Assignee if the Tenant is not in monetary and/or material default under this Lease beyond the expiration of all applicable notice and cure periods as of the date Tenant delivers the First Termination Notice or as of the First Termination Date.

2.2.2 Second Termination Right. Tenant shall have the one (1) time right (the “**Second Termination Right**”) to terminate and cancel this Lease with respect to that portion of the Premises not terminated pursuant to Section 2.2.1 above (the “**Second Terminated Space**”), effective as of the date (the “**Second Termination Date**”) which is the last day of the sixty-eighth (68<sup>th</sup>) month anniversary of the Lease Commencement Date. Tenant’s exercise of the Second Termination Right is contingent upon (i) Tenant’s delivery to Landlord on or before the date which is nine (9) months prior to the Second Termination Date, written notice of Tenant’s exercise of such right (the “**Second Termination Notice**”), (ii) Tenant’s payment to Landlord of the Second Termination Consideration (as defined below), and (iii) Tenant’s payment of the monthly installments of Base Rent due and payable hereunder for the first sixty-eight (68) months of the Lease Term. As used herein, the “**Second Termination Consideration**” shall mean an amount equal to the sum of: (A) the unamortized portion of the brokerage commissions (including, but not limited to, leasing bonuses paid to brokers), the Abated Base Rent (as defined in Section 3.2 below) and the Parking Discount (as defined in Article 23 below) in connection with this Lease (as well as any brokerage commissions, free rent, parking and other concessions in connection with any ROFO Space leased by Tenant pursuant to Section 1.4 above); plus (B) the unamortized portion of the costs of Landlord’s work (if any) in the Premises and the Tenant Improvement Allowance paid or incurred by Landlord pursuant to the Work Letter; and (C) the unamortized portion of the costs of the tenant improvements and tenant improvement allowance, if any paid or incurred by Landlord for any ROFO Space leased by Tenant pursuant to Section 1.4 above. The brokerage commissions, costs of Landlord’s work (if any), and Tenant Improvement Allowance, Abated Base Rent and the Parking Discount with respect to the Premises leased by Tenant shall all be amortized on a straight-line basis over the scheduled initial ten (10) year Lease Term, together with interest at the rate of eight percent (8%) per annum, and the unamortized portion thereof shall be determined based upon the unexpired portion of such initial ten (10) year Lease Term as of the Second Termination Date. The unamortized portion of the costs of any brokerage commissions and tenant improvement costs/allowance, if any, paid for or provided by Landlord to Tenant for any ROFO Space leased

by Tenant pursuant to Section 1.4 shall be amortized on a straight-line basis over the scheduled initial term of the lease of the ROFO Space, together with interest at the rate of eight percent (8%) per annum, and the unamortized portion thereof shall be determined based upon the unexpired portion of such initial lease term for such ROFO Space as of the Second Termination Date. If Tenant properly exercises the Second Termination Right set forth in this Section 2.2.2 in strict accordance with the terms hereof, this Lease shall expire at midnight on the Second Termination Date, and Tenant shall be required to surrender the Premises to Landlord on or prior to the Second Termination Date in accordance with the applicable provisions of this Lease. The Second Termination Right set forth in this Section 2.2.2 is personal to the Original Tenant or any Affiliate Assignee, and may only be executed by the Original Tenant or such Affiliate Assignee if the Tenant is not in monetary and/or material default under this Lease beyond the expiration of all applicable notice and cure periods as of the date Tenant delivers the Second Termination Notice or as of the Second Termination Date.

2.3 Early Occupancy. If Substantial Completion of the Tenant Improvements (as such terms are defined in the Work Letter attached hereto as Exhibit B) occurs prior to the Lease Commencement Date, then following Substantial Completion of the Tenant Improvements and continuing until the Lease Commencement Date (the "**Early Occupancy Period**"), and so long as Landlord has received insurance certificates evidencing that Tenant is carrying the insurance required to be carried by Tenant pursuant to the terms of Article 10 below, Tenant shall have the right to access and occupy the Premises during the Early Occupancy Period; provided, however, that during such Early Occupancy Period and subject to the terms of the Work Letter, all of the terms and conditions of this Lease shall apply, including, without limitation, Tenant's obligation to pay to Landlord all sums and charges required to be paid by Tenant under this Lease, including, without limitation, charges for additional services provided to the Premises so occupied pursuant to Sections 6.1.2 and 6.2 of this Lease. Subject to the foregoing, during such Early Occupancy Period, Tenant shall not be obligated to pay Base Rent for the Premises and/or Tenant's Share of Operating Expenses, Tax Expenses or Utilities Costs (as such terms are defined below in Article 4 below) in accordance with the terms of this Lease, until the occurrence of the Lease Commencement Date (and no such Base Rent or such other charges shall accrue during such Early Occupancy Period).

### ARTICLE 3

#### BASE RENT

3.1 Base Rent. Tenant shall pay, without notice or demand, except as otherwise set forth herein, to Landlord or Landlord's agent at the management office of the Project, or at such other place as Landlord may from time to time designate in writing, in currency or a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("**Base Rent**") as set forth in Section 8 of the Summary, payable in equal monthly installments as set forth in Section 8 of the Summary in advance on or before the first (1<sup>st</sup>) day of each and every month during the Lease Term, without any setoff or deduction whatsoever (except as specifically set forth in this Lease). The Base Rent for the first (1<sup>st</sup>) full month of the Lease Term shall be paid at the time of Tenant's execution of this Lease. If any rental payment date (including the Lease Commencement Date) falls on a day of the month other than the first day of such month or if any rental payment is for a period which is shorter than one (1) month, then the rental for any such fractional month shall be a proportionate amount of a full calendar month's rental based on the proportion that the number of days in such fractional month bears to the number of days in the calendar month during which such fractional month occurs. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

3.2 Rent Abatement. Notwithstanding anything to the contrary contained herein and provided that Tenant faithfully performs all of the terms and conditions of this Lease, and no default by Tenant occurs hereunder (beyond all applicable notice and cure periods), Landlord hereby agrees that Tenant shall not be required to pay the monthly installments of Base Rent for the second (2<sup>nd</sup>) through eleventh (11<sup>th</sup>) full months of the initial Lease Term (the "**Abatement Period**"), with the abated Base Rent to be equal to One Million One Hundred Two Thousand Six Hundred Eighty Dollars (\$1,102,680.00) in the aggregate (the "**Abated Base Rent**"). During the Abatement Period, Tenant shall still be responsible for the payment of all of its other monetary obligations under this Lease. In the event of a default by Tenant under the terms of this Lease that results in termination of this Lease in accordance with the provisions of Article 19 hereof, then as a part of the recovery set forth in Article 19 of this Lease, Landlord shall be entitled to the recovery of the unamortized (on a straight-line basis during the initial Lease Term) Abated Base Rent that was abated under the provisions of this Article 3.

ARTICLE 4

ADDITIONAL RENT

4.1 **Additional Rent.** In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay as additional rent the sum of the following: (i) Tenant's Share (as such term is defined below) of the annual Operating Expenses (as such term is defined below) which are in excess of the amount of Operating Expenses applicable to the Expense Base Year (as such term is defined below); plus (ii) Tenant's Share of the annual Tax Expenses (as such term is defined below) which are in excess of the amount of Tax Expenses applicable to the Tax Expense Base Year (as such term is defined below); plus (iii) Tenant's Share of the annual Utilities Costs (as such term is defined below) which are in excess of the amount of Utilities Costs applicable to the Utilities Base Year (as such term is defined below). Such additional rent, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease (including, without limitation, pursuant to Article 6), shall be hereinafter collectively referred to as the "**Additional Rent**". The Base Rent and Additional Rent are herein collectively referred to as the "**Rent**". All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner, time and place as the Base Rent. Without limitation on other obligations of Landlord and Tenant which shall survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term.

4.2 **Definitions.** As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 "**Calendar Year**" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

4.2.2 "**Expense Base Year**" shall mean the year set forth in Section 9.1 of the Summary.

4.2.3 "**Expense Year**" shall mean each Calendar Year, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive-month period, and, in the event of any such change, Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be equitably adjusted for any Expense Year involved in any such change to ensure that such change does not increase Tenant's obligations hereunder.

4.2.4 "**Operating Expenses**" shall mean all expenses, costs and amounts of every kind and nature which Landlord shall pay during any Expense Year because of or in connection with the ownership, management, maintenance, repair, replacement, restoration or operation of the Real Property, all as determined in accordance with sound real estate management practices consistently applied, including, without limitation, any amounts paid for: (i) the cost of operating, maintaining, repairing, renovating and managing the utility systems, mechanical systems, sanitary and storm drainage systems, any elevator systems and all other "Systems and Equipment" (as defined in Section 4.2.5 of this Lease), and the cost of supplies and equipment and maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections, and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with implementation of a governmentally mandated transportation system management program or similar program; (iii) the cost of insurance carried by Landlord, in such amounts as Landlord may reasonably determine or as may be required by any mortgagees or the lessor of any underlying or ground lease affecting the Real Property; (iv) the cost of landscaping, relamping, supplies, tools, equipment and materials, and all fees, charges and other costs (including reasonable consulting fees, legal fees and accounting fees) incurred in connection with the management, operation, repair and maintenance of the Real Property, subject to item (xi) below; (v) the cost of parking area repair, restoration, and maintenance;

(vi) any equipment rental agreements or management agreements (including the cost of any management fee (not to exceed management fees charged by first-class management companies unaffiliated with Landlord in Comparable Buildings) and the fair rental value of any office space provided thereunder); (vii) subject to Section 4.2.4(f) below, wages, salaries and other compensation and benefits of all persons engaged in the operation, management, maintenance or security of the Real Property, and employer's Social Security taxes, unemployment taxes or insurance, and any other taxes which may be levied on such wages, salaries, compensation and benefits; (viii) payments under any easement, license, operating agreement, declaration, restrictive covenant, underlying or ground lease (excluding rent), or instrument pertaining to the sharing of costs by the Real Property; (ix) the cost of janitorial service, alarm and security service, if any, window cleaning, trash removal, replacement of wall and floor coverings, ceiling tiles and fixtures in lobbies, corridors, restrooms and other common or public areas or facilities, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing, provided that any capital costs incurred by Landlord with respect to the replacement of such systems and equipment shall be amortized as forth in items (x) and (xi), below; (x) amortization (including interest on the unamortized cost at a rate equal to the floating commercial loan rate announced from time to time by Bank of America, a national banking association, or its successor, as its prime rate the "**Amortization Interest Rate**") of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Real Property to the extent such acquisition costs, prior to amortization, are materially consistent with the costs incurred for such items by landlords of Comparable Buildings, given the scope, size and nature of the Project; and (xi) the cost of capital repairs, replacements or other improvements or other costs incurred in connection with the Project (A) which are intended to reduce current or future Operating Expenses to the extent of cost savings reasonably anticipated by Landlord (based upon reasonable supporting documentation) at the time of such expenditure to be incurred in connection therewith, or (B) that are required under any governmental law or regulation, except for capital repairs, replacements or other improvements to remedy a condition existing prior to the Lease Commencement Date which an applicable governmental authority, if it had knowledge of such condition prior to the Lease Commencement Date and if such condition was not subject to a variance or a grandfathered/grandmothered code waiver exception, would have then required to be remedied pursuant to then-current Applicable Laws, in their form existing as of the Lease Commencement Date; provided, however, that any such permitted capital expenditure shall be amortized (with interest at the Amortization Interest Rate) over its reasonable useful life in accordance with generally accepted commercial office building accounting practices. Any of the services which may be included in the computation of the Operating Expenses of the Building may be performed by divisions, subsidiaries or affiliates of Landlord, provided that the contracts for the performance of such services shall be competitive with similar contracts and transactions with unaffiliated entities for the performance of such services in Comparable Buildings. If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Building is less than ninety-five percent (95%) occupied during all or a portion of any Expense Year (including the Expense Base Year) with all tenants paying one hundred percent (100%) of all rental due and owing, Landlord shall make an appropriate adjustment to the variable components of Operating Expenses for such year or applicable portion thereof, employing sound accounting and management principles, consistently applied, to determine the amount of Operating Expenses that would have been paid had the Building been ninety-five percent (95%) occupied; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year, or applicable portion thereof. Landlord shall (i) not make a profit by charging items to Operating Expenses that are otherwise also charged separately to others and (ii) Landlord shall not collect Operating Expenses from Tenant and all other tenants/occupants in the Building in an amount in excess of what Landlord incurred for the items included in Operating Expenses. Any refunds or discounts actually received by Landlord for any category of Operating Expenses shall reduce Operating Expenses in the applicable Expense Year (pertaining to such category of Operating Expenses).

If other than as a result of any legal, governmental or lender requirements or other occurrence(s) beyond the reasonable control of Landlord, following the 2011 Calendar Year any new category of operating expense is added to Operating Expenses, and/or the scope of any previously existing category of expense is materially increased, then during such time as the costs relating to such new category and/or materially increased scope are included in the Building's expenses, the calculation of the Expense Base Year Operating Expenses shall be increased to reflect such Operating Expenses as would have been incurred had such new category item been included in the 2011 Calendar Year and/or had such materially increased scope been applicable during the 2011 Calendar Year, as applicable, giving due consideration to what the costs for such new category and/or materially increased scope item(s) would have been in the 2011 Calendar Year.

Landlord shall have the right, from time to time, in its reasonable discretion, to equitably and consistently allocate some or all of the Operating Expenses (and/or Tax Expenses and Utilities Costs) among different tenants of the Project or to include additional buildings in the Real Property for purposes of determining Operating Expenses (and/or Tax Expenses and Utilities Costs) and/or the provision of various services and amenities thereto (the "Cost Pools"). Such Cost Pools may include, without limitation, the office space tenants and retail space tenants of the Building and/or any such additional buildings.

Notwithstanding anything to the contrary set forth in this Article 4, when calculating Operating Expenses for the Expense Base Year, Operating Expenses shall exclude market-wide labor-rate increases due to extraordinary circumstances, including, but not limited to, boycotts and strikes; provided however, that at such time as any such particular cost increases or costs continue to be included in Operating Expenses during subsequent Expense Years, such particular cost increases or costs shall be included in the Expense Base Year calculation of Operating Expenses.

Notwithstanding the foregoing, Operating Expenses shall not, however, include:

(i) costs, including legal fees, space planners' fees, advertising and promotional expenses (except as otherwise set forth above), and brokerage fees incurred in connection with the original construction or development, or original or future leasing of the Project, and costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for new tenants initially occupying space in the Project after the Lease Commencement Date or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project (excluding, however, such costs relating to any common areas of the Project or parking facilities);

(ii) except as set forth in items (x) and (xi) above, depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest, costs of capital repairs and alterations, and costs of capital improvements and equipment;

(iii) costs for which the Landlord is reimbursed by any tenant or occupant of the Project or by insurance by its carrier or any tenant's carrier or by anyone else, and electric power costs for which any tenant directly contracts with the local public service company;

(iv) any bad debt loss, rent loss, or reserves for bad debts or rent loss;

(v) costs associated with the operation of the business of the partnership or entity which constitutes the Landlord, as the same are distinguished from the costs of operation of the Project (which shall specifically include, but not be limited to, accounting costs associated with the operation of the Project). Costs associated with the operation of the business of the partnership or entity which constitutes the Landlord include costs of partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of the Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Project, and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and Project management, or between Landlord and other tenants or occupants;

(vi) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project vis-à-vis time spent on matters unrelated to operating and managing the Project; provided, that in no event shall Operating Expenses for purposes of this Lease include wages and/or benefits attributable to personnel above the level of Property manager or Property engineer;

(vii) amount paid as ground rental for the Project by the Landlord;

(viii) except for a Project management fee (as described in subsection (xii), above), overhead and profit increment paid to the Landlord or to subsidiaries or affiliates of the Landlord for services in or in connection the Project to the extent the same exceeds the costs such services rendered by qualified, first-class unaffiliated third parties on a competitive basis;

(ix) any compensation paid to clerks, attendants or other persons in commercial concessions operated by the Landlord (which shall specifically exclude the Parking Facilities), provided that any compensation paid to any concierge at the Project shall be includable as an Operating Expense;

(x) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment which if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Project which is used in providing janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition in the Project;

(xi) all items and services for which Tenant or any other tenant in the Project reimburses Landlord or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement;

(xii) any costs expressly excluded from Operating Expenses elsewhere in this Lease;

(xiii) rent for any office space occupied by Project management personnel to the extent the size or rental rate of such office space exceeds the size or fair market rental value of office space occupied by management personnel of Comparable Buildings, with adjustment where appropriate for the size of the applicable project;

(xiv) costs arising from the gross negligence or willful misconduct of Landlord or its agents, employees, vendors, contractors, or providers of materials or services;

(xv) fines, penalties, and interest on delinquent payments and principal payments (but interest shall be specifically included as provided for in items (x) and (xi), above, and interest included on real property taxes as part of a bonded assessment included in real property taxes shall be included in "Tax Expenses", as that term is defined in Section 4.2.7, below);

(xvi) costs incurred due to the violation by Landlord of the terms and conditions of any underlying documents pertaining to the Building or Project;

(xvii) costs for extra or after-hours HVAC, utilities or services which are provided to Tenant and/or any occupant of the Building and as to which Tenant or such other occupants are separately charged and the applicable amounts are paid by Tenant or such other occupants;

(xviii) Landlord's general corporate overhead and general administrative expenses;

(xix) costs incurred to comply with "Applicable Laws", as that term is defined in Article 21 of this Lease, relating to the removal of hazardous material (as defined under Applicable Laws) which was in existence in the Building or on the Project prior to the Lease Commencement Date, and was of such a nature that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such hazardous material, in the state, and under the conditions that it then existed in the Building or on the Project, would have then required the removal of such hazardous material or other remedial or containment action with respect thereto; and costs incurred with respect to hazardous material, which

hazardous material is brought into the Building or onto the Project after the date hereof by Landlord or anyone other Tenant and is of such a nature, at that time, that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such hazardous material, in the state, and under the conditions, that it then exists in the Building or on the Project, would have then required the removal, remediation or other action with respect thereto;

(xx) any reserves retained by Landlord;

(xxi) insurance deductibles in excess of customary deductible amounts carried by landlords of the Comparable Buildings; in connection with any insurance deductible amounts included in Operating Expenses as a result of an earthquake which are for items otherwise classified as capital items, such amounts shall be amortized into Operating Expenses at the cost and over the term set forth in Section 4.2.4(xi) above;

(xxii) late charges, penalties, liquidated damages, and interest;

(xxiii) costs, other than those incurred in ordinary maintenance and repair, for sculpture, paintings, fountains or other objects of art;

(xxiv) legal fees and costs, settlements, judgments or awards paid or incurred because of disputes between Landlord and Tenant, Landlord and other tenants or prospective occupants or prospective tenants/occupants or providers of goods and services to the Project;

(xxv) advertising and promotional expenses and costs of signs in or on the Building identifying the owner of the Building or other tenants' signs;

(xxvi) costs due to violations of the CC&Rs or to create any future CC&Rs (as opposed to payments under any future CC&Rs otherwise includable as an Operating Expense hereunder);

(xxvii) to the extent applicable, electric power costs or other utility costs for which any tenant directly contracts with the local public service company (but Landlord shall have the right to "gross up" as if the floor was vacant);

(xxviii) any entertainment, dining or travel expenses for any purpose (except to the extent costs for similar items were included in the Expense Base Year);

(xxix) costs of specialty clubs and services;

(xxx) costs arising from any voluntary special assessment on the Building or the Project by any transit district authority or any other governmental entity having the authority to impose such voluntary assessment, unless such costs are included in the Base Year;

(xxxi) any "validated" parking for any entity;

(xxxii) costs of any "tap fees" or any sewer or water connection fees for the benefit of any particular tenant in the Building or the Project; and

(xxxiii) fees payable by Landlord for management of the Project in excess of three percent (3%) of Landlord's gross rental revenues, adjusted and grossed up to reflect a one hundred percent (100%) occupancy of the Project with all tenants paying rent, including base rent, pass-throughs, and parking fees (but excluding the cost of after-hours services or utilities) from the Project for any calendar year or portion thereof. Landlord acknowledges and agrees that the management fee for the Project during the Expense Base Year will be three percent (3%) of Landlord's gross rental revenues calculated as provided above.

4.2.5 "Systems and Equipment" shall mean any plant, machinery, transformers, duct work, cable, wires, and other equipment, facilities, and systems designed to supply heat, ventilation, air conditioning and humidity or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life safety systems or equipment, or any other mechanical, electrical, electronic, computer or other systems or equipment which serve the Building and/or any other building in the Project in whole or in part.

4.2.6 "Tax Expense Base Year" shall mean the year set forth in Section 9.2 of the Summary.

4.2.7 "Tax Expenses" shall mean all federal, state, county, or local governmental or municipal taxes, fees, assessments, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit assessments, fees and taxes, child care subsidies, fees and/or assessments, job training subsidies, fees and/or assessments, open space fees and/or assessments, housing subsidies and/or housing fund fees or assessments, public art fees and/or assessments, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Real Property), which Landlord shall pay during any Expense Year because of or in connection with the ownership, leasing and operation of the Real Property or Landlord's interest therein. For purposes of this Lease, Tax Expenses shall be calculated as if the tenant improvements in the Building were fully constructed and the Real Property, the Building and all tenant improvements in the Building were fully assessed for real estate tax purposes, and accordingly, during the portion of any Expense Year or Tax Expense Base Year, Tax Expenses shall be deemed to be increased appropriately.

4.2.7.1 Tax Expenses shall include, without limitation:

(i) Any tax on Landlord's rent, right to rent or other income from the Real Property or as against Landlord's business of leasing any of the Real Property;

(ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("Proposition 13") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies, and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for purposes of this Lease;

(iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross income tax upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof;

(iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and

(v) Any reasonable expenses incurred by Landlord in attempting to protest, reduce or minimize Tax Expenses, if Landlord has a reasonable expectation of achieving a reduction in excess of the expenses incurred, shall be included in Tax Expenses in the Expense Year such expenses are incurred (excluding, however, those costs and expenses incurred by Landlord in securing any Proposition 8 reduction as set forth in Section 4.2.7.4 below).

4.2.7.2 Except as set forth in Section 4.2.7.4, below, refunds of Tax Expenses shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the Expense Year to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such Expense Year exceed the total amount paid by Tenant as Additional Rent under this Article 4 for such Expense Year. All special assessments which may be paid in installments shall be paid by Landlord in the maximum number of installments permitted by law and not included in Tax Expenses except in the year in which the assessment is actually paid.



4.2.7.3 Notwithstanding anything to the contrary contained in this Section 4.2.7, there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state net income taxes, and other taxes to the extent applicable to Landlord's net income (as opposed to rents, receipts or income attributable to operations at the Real Property), (ii) any items included as Operating Expenses or Utilities Costs, (iii) any items paid by Tenant under Section 4.4 of this Lease, (iv) tax penalties, interest or late charges, (v) any Tax Increase excluded from Tax Expenses pursuant to Section 4.2.7.4 below, and (vi) any amounts charged directly to Tenant or other tenants, including pursuant to Section 4.4.

4.2.7.4 Proposition 13 Protection.

(i) If one or more sales, financings or changes in ownership of the Building and/or the Project is consummated or improvements are made to the Building and/or Project, and as a result thereof, and to the extent that in connection therewith, the Building and/or Project is reassessed (the "**Reassessment**") for real estate tax purposes by the appropriate governmental authority pursuant to the terms of Proposition 13 occurs during the three (3) year period commencing on the Lease Commencement Date (the "**Protection Period**"), then the amount of any "Tax Increase" (defined below) resulting solely from such Reassessment shall be excluded from Tax Expenses. After the Protection Period, Tenant's Share of any Tax Increase resulting from a Reassessment after the Protection Period shall be amortized over a two (2) year period after the Reassessment with fifty percent (50%) of Tenant's Share of such Tax Increase payable by Tenant over the first (1<sup>st</sup>) such year and the remaining fifty percent (50%) payable by Tenant over the second (2<sup>nd</sup>) such year.

(a) "**Tax Increase**" means that portion of the Tax Expenses, as calculated immediately following the Reassessment which is attributable solely to the Reassessment, and will not include any portion of the Tax Expenses, as calculated immediately following the Reassessment, which is attributable to either:

i. the value of the Building or Project as of the Lease Commencement Date (whether or not the Project is fully assessed as of the Lease Commencement Date);

ii. assessments that are unrelated to a Change in Ownership of the Building, Project or any portion of either of the foregoing; or

iii. the annual inflationary increase of real estate taxes permitted under the R&T Code (limited as of the date of this Lease to two percent (2%) per annum), excluding the annual inflationary increase on the Tax Increase immediately following the Reassessment.

(b) "**Proposition 13 Protection Amount**" means Tenant's Share of the aggregate Tax Increase excluded from Tax Expenses under this subparagraph.

(ii) If, in connection with a pending or anticipated sale of the Building and/or the Project by Landlord, the occurrence of a Reassessment is reasonably foreseeable by Landlord and the Proposition 13 Protection Amount attributable to such Reassessment can be reasonably quantified or estimated for each Lease Year commencing with the Lease Year in which the Reassessment will occur, the terms of this Section shall apply to each such Reassessment. By notice given by Landlord to Tenant during the Protection Period, Landlord may purchase the Proposition 13 Protection Amount from Tenant for an amount relating to the applicable Reassessment (the "**Applicable Reassessment**"), within a reasonable period of time prior to the pending or anticipated sale of the Building and/or the Project by Landlord, by paying to Tenant an amount equal to the "Proposition 13 Purchase Price," as that term is defined below, provided that the right of any successor of Landlord to exercise its right of repurchase hereunder shall not apply to any Reassessment which results from the event pursuant to which such successor of Landlord

became the landlord under this Lease. As used herein, "**Proposition 13 Purchase Price**" shall mean the present value of the Proposition 13 Protection Amount remaining from the date of payment of such amount by Landlord through the remainder of the Protection Period, assuming that the Proposition 13 Protection Amount for an Expense Year would have been paid by Tenant in equal monthly installments during each such Expense Year, and discounting by eight and one-half percent (8½%) per annum. Upon payment of the Proposition 13 Purchase Price, the provisions of this Section 4.2.7.4 will not apply to any Tax Increase attributable to the Reassessment. Landlord may exercise its rights under this Section 4.2.7.4(ii) before receipt of the actual reassessment, and may reasonably estimate the amount of the reassessment and pay the Proposition 13 Purchase Price based such assessment upon the estimate. When the actual amount of the reassessment becomes known, if Landlord has underestimated the Proposition 13 Purchase Price, then upon notice by Landlord to Tenant, Tenant's Rent next due will be credited with the amount of such underestimation, and if Landlord overestimates the Proposition 13 Purchase Price, then upon notice by Landlord to Tenant, Rent next coming due under this Lease will be increased by the amount of the overestimation.

4.2.7.5 Proposition 8 Adjustments. Notwithstanding anything to the contrary set forth in this Lease (but expressly subject to the terms of Section 4.2.7.4 above), the amount of Tax Expenses for the Expense Base Year and any Expense Year shall be calculated based on a fully occupied Project without taking into account any decreases in real estate taxes obtained under Proposition 8, and, therefore, the Tax Expenses in the Expense Base Year and/or an Expense Year may be greater than those actually incurred by Landlord, but shall, nonetheless, be the Tax Expenses under this Lease for purposes of calculating Operating Expenses for the Project; provided that (a) any costs and expenses incurred by Landlord in securing any Proposition 8 reduction shall not be included in Project Expenses for purposes of this Lease, and (b) tax refunds under Proposition 8 shall not be deducted from Tax Expenses or otherwise credited to Tenant, but rather shall be the sole property of Landlord. This Section 4.2.7.5 is not intended in any way to affect the inclusion in Tax Expenses of the statutory two percent (2%) annual increase in Tax Expenses (as such statutory increase may be modified by subsequent legislation).

4.2.8 "**Tenant's Share**" shall mean the percentage set forth in Section 9.4 of the Summary. Tenant's Share was calculated by dividing the number of rentable square feet of the Premises by the total rentable square feet in the Building (as set forth in Section 9.4 of the Summary), and stating such amount as a percentage. If Tenant's Share is adjusted as a result of an increase or decrease in the size of the Premises, as to the Expense Year in which such adjustment occurs, Tenant's Share for such year shall be determined on the basis of the number of days during such Expense Year that each such Tenant's Share was in effect.

4.2.9 "**Utilities Base Year**" shall mean the year set forth in Section 9.3 of the Summary.

4.2.10 "**Utilities Costs**" shall mean all actual charges for utilities for the Building and the Project which Landlord shall pay during any Expense Year, including, but not limited to, the costs of water, sewer and electricity, and the costs of HVAC (including, unless paid by Tenant pursuant to Section 6.1.2 below, the cost of electricity to operate the HVAC air handlers) and other utilities as well as related fees, assessments and surcharges (but excluding those charges for which tenants directly reimburse Landlord or otherwise pay directly to the utility company). Utilities Costs shall be calculated assuming the Building is at least ninety-five percent (95%) occupied during all or any portion of an Expense Year (including the Utilities Base Year). If, during all or any part of any Expense Year, Landlord shall not provide any utilities (the cost of which, if provided by Landlord, would be included in Utilities Costs) to a tenant (including Tenant) who has undertaken to provide the same instead of Landlord, Utilities Costs shall be deemed to be increased by an amount equal to the additional Utilities Costs which would reasonably have been incurred during such period by Landlord if Landlord had at its own expense provided such utilities to such tenant. Utilities Costs shall include any costs of utilities which are allocated to the Real Property under any declaration, restrictive covenant, or other instrument pertaining to the sharing of costs by the Real Property or any portion thereof, including any covenants, conditions or restrictions now or hereafter recorded against or affecting the Real Property. For purposes of determining Utilities Costs incurred for the Utilities Base Year, Utilities Costs for the Utilities Base Year shall exclude any one time special charges, costs or fees or extraordinary charges or costs incurred in the Utilities Base Year only, including those attributable to boycotts, embargoes, strikes or other shortages of services or fuel; provided, however, at such time as any particular cost increases or costs continue to be included in Utilities Costs during subsequent Expense Years, such particular cost increase or costs shall be included in the Utilities Base Year calculation of Utilities Costs.

#### 4.3 Calculation and Payment of Additional Rent.

4.3.1 Calculation of Excess. If for any Expense Year ending or commencing within the Lease Term, (i) Tenant's Share of Operating Expenses for such Expense Year exceeds Tenant's Share of Operating Expenses for the Expense Base Year and/or (ii) Tenant's Share of Tax Expenses for such Expense Year exceeds Tenant's Share of Tax Expenses for the Tax Expense Base Year, and/or (iii) Tenant's Share of Utilities Costs for such Expense Year exceeds Tenant's Share of Utilities Costs for the Utilities Base Year, then Tenant shall pay to Landlord, in the manner set forth in Section 4.3.2, below, and as Additional Rent, an amount equal to such excess (the "Excess").

4.3.2 Statement of Actual Operating Expenses, Tax Expenses and Utilities Costs and Payment by Tenant. Landlord shall use commercially reasonable efforts to give to Tenant on or before the thirtieth (30th) day of May following the end of each Expense Year, a statement (the "Statement") which shall state on a line item by line item basis, the Operating Expenses, Tax Expenses and Utilities Costs incurred or accrued for such preceding Expense Year (including the Expense Base Year, Tax Expense Base Year and Utilities Base Year), and which shall indicate the amount, if any, of any Excess or overpayment by Tenant. Upon receipt of the Statement for each Expense Year ending during the Lease Term, if an Excess is present, Tenant shall pay, within thirty (30) days following demand by Landlord, the full amount of the Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "Estimated Excess," as that term is defined in Section 4.3.3 of this Lease, and if Tenant has paid more as Estimated Excess than the actual Excess (an "Overage"), Tenant shall, at Landlord's option, receive a credit in the amount of the Overage against the Rent next coming due under the Lease, or Landlord shall pay the amount of the Overage to Tenant within thirty (30) days following Landlord's calculation thereof. Notwithstanding anything to the contrary in this Lease, in the event this Lease has terminated or there is insufficient Rent due and payable by Tenant for Landlord to credit such Overage then Landlord shall pay the Overage to Tenant within thirty (30) days following Landlord's calculation thereof. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord from enforcing its rights under this Article 4. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of the Operating Expenses, Tax Expenses and Utilities Costs for the Expense Year in which this Lease terminates, if an Excess is present, Tenant shall pay to Landlord an amount as calculated pursuant to the provisions of Section 4.3.1 of this Lease within thirty (30) days of Tenant's receipt of an invoice therefore from Landlord, and if an Overage is present, Landlord shall refund the amount of the Overage to Tenant within thirty (30) days following Landlord's determination. Notwithstanding the foregoing, Tenant shall not be responsible for Tenant's Share of any Operating Expenses, Tax Expenses or Utilities Costs attributable to any Expense Year which are first billed to Tenant more than two (2) Calendar Years after the expiration or any earlier termination of the applicable Expense Year or the Lease Expiration Date, provided that in any event Tenant shall be responsible for Tenant's Share of any Operating Expenses, Tax Expenses or Utilities Costs levied by any governmental authority or by any public utility companies at any time following the applicable Expense Year or the Lease Expiration Date which are attributable to any Expense Year (provided that Landlord delivers Tenant a bill for such amounts within two (2) years following Landlord's receipt of the bill therefor). The provisions of this Section 4.3.2 shall survive the expiration or earlier termination of the Lease Term.

4.3.3 Statement of Estimated Operating Expenses, Tax Expenses and Utilities Costs. In addition, Landlord shall use commercially reasonable efforts to give Tenant on or before the thirtieth (30th) day of May a yearly expense estimate statement (the "Estimate Statement" which shall set forth, on a line item by line item basis, Landlord's reasonable and good faith estimate (the "Estimate") of what the total amount of Operating Expenses, Tax Expenses and Utilities Costs for the then-current Expense Year shall be and the estimated Excess (the "Estimated Excess") as calculated by comparing (i) Tenant's Share of Operating Expenses, which shall be based upon the Estimate, to Tenant's Share of Operating Expenses for the Expense Base Year, (ii) Tenant's Share of Tax Expenses, which shall be based upon the Estimate, to Tenant's Share of Tax Expenses for the Tax Expense Base Year, and (iii) Tenant's Share of Utilities Costs,

which shall be based upon the Estimate, to Tenant's Share of Utilities Costs for the Utilities Base Year. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Excess under this Article 4. If pursuant to the Estimate Statement an Estimated Excess is calculated for the then-current Expense Year, Tenant shall pay, within thirty (30) days after receipt of the Estimate Statement, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.3.3). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.3.4 Cap on Controllable Expenses. Notwithstanding anything to the contrary contained in this Article 4, the aggregate "Controllable Expenses" (as hereinafter defined) included in Operating Expenses in any Expense Year after the Expense Base Year shall not increase by more than five percent (5%) on an annual, cumulative and compounded basis, over the actual aggregate Controllable Expenses included in Operating Expenses for any preceding Expense Year (including the Expense Base Year), but with no such limit on the amount of Controllable Expenses which may be included in the Operating Expenses incurred during the Expense Base Year. For purposes of this Section 4.3.4, "**Controllable Expenses**" shall mean all Operating Expenses except: (i) insurance carried by Landlord with respect to the Real Property and/or the operation thereof; (ii) costs of capital expenditures which constitute Operating Expenses under Section 4.2.4(xi)(B) above; and (ii) wages, salaries and other compensation and benefits paid to Landlord's employees, agents or contractors engaged in the operation, management, maintenance (including, but not limited to, janitorial and cleaning services) or security of the Building or Real Property, to the extent such wages, salaries and other compensation subject to collective bargaining agreements or government mandated requirements including, but not limited to, prevailing wage laws and similar requirements. The provisions of this Section 4.3.4 do not apply to Tax Expenses or Utilities Costs.

4.4 Taxes and Other Charges for Which Tenant Is Directly Responsible. Tenant shall reimburse Landlord within thirty (30) days of demand for any and all taxes or assessments required to be paid by Landlord (except to the extent included in Tax Expenses by Landlord), excluding state, local and federal personal or corporate income taxes measured by the net income of Landlord from all sources and estate and inheritance taxes, whether or not now customary or within the contemplation of the parties hereto, when:

4.4.1 said taxes are measured by or reasonably attributable to the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or by the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, to the extent the cost or value of such leasehold improvements exceeds the cost or value of a building standard build-out as reasonably determined by Landlord regardless of whether title to such improvements shall be vested in Tenant or Landlord (to the extent that Landlord enforces the terms of this Section 4.4.1 against Tenant, then Landlord shall not include in Tax Expenses, taxes assessed against any other tenant improvements in the Project to the extent such taxes relate to the value of such tenant improvements in excess of the "building standard");

4.4.2 said taxes are assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Real Property (including the Parking Facilities); or

4.4.3 said taxes are assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

4.5 Late Charges. If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days following the date that such amount is due, then Tenant shall pay to Landlord a late charge equal to five percent (5%) of the amount due plus any attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder, at law and/or in equity and shall not be construed as liquidated

damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid by the date that they are past due shall thereafter bear interest until paid at a rate (the "**Interest Rate**") equal to the lesser of (i) the "Prime Rate" or "Reference Rate" announced from time to time by the Bank of America (or such reasonable comparable national banking institution as selected by Landlord in the event Bank of America ceases to exist or publish a Prime Rate or Reference Rate), plus two percent (2%), or (ii) the highest rate permitted by Applicable Law; provided, however, that no late charge shall be payable for the first late payment of Rent in any twelve (12) month period during the Lease Term unless such amount is not paid by Tenant within five (5) business days after Tenant's receipt of Landlord's written notice to Tenant of such failure to pay.

4.6 Landlord's Books and Records. Within twenty-four (24) months after receipt of a Statement by Tenant and three (3) years from the Expense Base Year, Tax Expense Base Year and/or Utilities Base Year, if Tenant disputes the amount of Additional Rent set forth in the Statement, an independent accountant or third party lease audit firm designated and paid for by Tenant (which accountant or lease audit firm is not working on a contingency fee basis), or an employee of Tenant, may, after reasonable notice to Landlord and at reasonable times during business hours and accompanied by a representative of Landlord, inspect Landlord's records with respect to the Statement at Landlord's offices, provided that Tenant is not then in monetary default under this Lease beyond any applicable notice and cure period and Tenant has paid all amounts required to be paid under the applicable Estimate Statement and Statement, as the case may be. In connection with such inspection, Tenant and Tenant's agents must agree in advance to follow Landlord's reasonable rules and procedures regarding inspections of Landlord's records, and shall execute a commercially reasonable confidentiality agreement regarding such inspection. Tenant's failure to provide written notice to Landlord that Tenant wishes to dispute and audit (as provided above) the amount of Additional Rent set forth in any Statement within twenty-four (24) months after receipt of a Statement by Tenant and three (3) years from the Expense Base Year, Tax Expense Base Year and Utilities Base Year shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement. In no event shall the payment by Tenant of any Operating Expense, Tax Expense or Utility Cost payment, or any amount on account thereof, preclude Tenant from exercising its rights under this Section 4.6. If after such inspection, Tenant still disputes such Additional Rent, a determination as to the proper amount shall be made, at Tenant's expense, by an independent accountant (the "**Accountant**") mutually selected by Landlord and Tenant; provided that if such determination by the Accountant proves that Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs were overstated by more than five percent (5%), then the cost of Tenant's accountant and the cost of the Accountant and the cost of such determination shall be paid for by Landlord. If Landlord and Tenant cannot mutually agree as to the identity of the Accountant within thirty (30) days after Tenant notifies Landlord that Tenant desires an audit to be performed, then the Accountant shall be a nationally recognized accounting firm selected by Tenant, which is not paid on a contingency basis and who has not been engaged by Tenant in the twenty-four (24) month period preceding the Review Period. If such audit reveals that Landlord has over-charged Tenant, then within twenty (20) days after the results of such audit are made available to Landlord, Landlord shall reimburse to Tenant the amount of such over-charge. If the audit reveals that the Tenant was under-charged, then within twenty (20) days after the results of such audit are made available to Tenant, Tenant shall reimburse to Landlord the amount of such under-charge. Unless a court of competent jurisdiction determines that Landlord committed fraud in its calculation of Operating Expenses, Tax Expenses or Utilities Costs, Tenant hereby acknowledges that Tenant's sole right to inspect Landlord's books and records and to contest the amount of Operating Expenses, Tax Expenses and Utilities Costs payable by Tenant shall be as set forth in this Section 4.6, and Tenant hereby waives any and all other rights pursuant to Applicable Laws to inspect such books and records and/or to contest the amount of Operating Expenses, Tax Expenses and Utilities Costs payable by Tenant. This provision shall survive the termination of this Lease to allow the parties to enforce their respective rights hereunder.

## ARTICLE 5

### USE OF PREMISES

Tenant shall use the Premises solely for general office purposes consistent with the character of the Building, and Tenant shall not use or permit the Premises to be used for any other purpose or purposes whatsoever. Tenant further covenants and agrees that it shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the provisions of Exhibit D, attached hereto, or in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Real Property. Tenant shall comply with all recorded covenants, conditions, and restrictions (“**CC&Rs**”), and the provisions of all ground or underlying leases, now affecting the Real Property; provided, however, that any amendments to any existing CC&Rs or any new CC&Rs encumbering the Real Property after the date hereof shall not (and if they do, then Tenant shall not be obligated to comply with the same) do not materially and adversely (i) affect Tenant’s use of the Premises for the Permitted Use or use of or access to the Premises or the Parking Facilities, (ii) materially, adversely affect Tenant’s rights under this Lease, (iii) increase Tenant’s obligations under this Lease, and (iv) materially decrease Tenant’s rights under this Lease. Tenant shall not use or allow another person or entity to use any part of the Premises for the storage, use, treatment, manufacture or sale of “Hazardous Material”, as that term is defined below; provided, however, Landlord agrees that Tenant may use and store Hazardous Materials within the Premises that are considered general office products so long as Tenant uses such products in compliance with Applicable Laws. As used herein, the term “Hazardous Material” means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the state in which the Real Property is located or the United States Government. Landlord confirms that it has received no written notice of the existence of any violation of Applicable Laws governing Hazardous Material existing at the Real Property as of the date of this Lease and no such Hazardous Materials will exist in the Premises or Building as of the Delivery Date. To the extent it is determined that Hazardous Material exists at the Real Property as of the Lease Commencement Date in violation of laws governing Hazardous Material, and such violation does not arise out of any acts or omissions of Tenant, its agents, employees or contractors, Landlord shall promptly take such action as is necessary to comply with such laws at no cost to Tenant. If, following the Lease Commencement Date, the Real Property becomes contaminated with Hazardous Material in violation of laws governing Hazardous Material, and such violation does not arise out of any acts or omissions of Tenant, its agents, employees or contractors, Landlord shall promptly take such action as is necessary to comply with such laws, or if the violation of laws governing Hazardous Material arises out of the acts or negligence of third parties, Landlord shall exercise commercially reasonable efforts to cause such third parties to take such action as is necessary to comply with such laws.

## ARTICLE 6

### SERVICES AND UTILITIES

6.1 Standard Tenant Services. Landlord shall provide the following services on all days and at all times during the Lease Term, unless otherwise stated below.

6.1.1 Subject to reasonable changes implemented by Landlord and to all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide heating and air conditioning (“**HVAC**”) when necessary for normal comfort for normal office use in the Premises and in a manner substantially consistent with that provided by other landlords of Comparable Buildings such that temperatures in the Premises are in no event more or less than 72 degrees (72°) Fahrenheit +/- a variation that is consistent with the temperatures maintained in Comparable Buildings, from Monday through Friday, during the period from 8:00 a.m. to 6:00 p.m., and during the period from 9:00 a.m. to 1:00 p.m. on Saturday (the “**Building Hours**”), except for the date of observation of New Year’s Day, Presidents’ Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and other locally or nationally recognized holidays as designated by Landlord and which are observed by a majority of Comparable Buildings (collectively, the “**Holidays**”); provided, however, that HVAC service on Saturdays (9:00 a.m. to 1:00 p.m.) shall only be provided if Tenant provides Landlord with prior notice (which may be oral or written) no later than Noon on Friday requesting such Saturday HVAC service; provided, however, that Landlord will use good faith efforts to provide such Saturday HVAC if Tenant’s notice is provided after Noon on Friday but before 5 p.m. on Friday (but Landlord shall not be liable for failure to provide such Saturday HVAC on account of such late notice).

6.1.2 Landlord shall provide adequate electrical wiring and facilities and power for normal general office provided that the connected electrical load of the incidental use equipment and lighting fixtures do not exceed an average of five (5) watts per usable square foot per floor of the Premises during Building Hours (exclusive of electricity for HVAC), calculated on an annual basis.

6.1.3 As part of Operating Expenses or Utilities Costs (as determined by Landlord), Landlord shall replace lamps, starters and ballasts for Building standard lighting fixtures within the Premises. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises.

6.1.4 Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes and for typical office kitchens within the Premises.

6.1.5 Landlord shall, in a manner consistent with Comparable Buildings, provide janitorial services five (5) days per week, except the date of observation of the Holidays, in and about the Premises and window washing services pursuant to the specifications attached hereto as Exhibit G and incorporated herein by this reference. Landlord shall also no less than twice/day, wipe down counters in the restrooms serving the Premises, empty trash in the restrooms serving the Premises and replenish paper products in the restrooms serving the Premises. Notwithstanding anything to the contrary in Exhibit G attached hereto, the quality of all services to be provided set forth on Exhibit G shall be provided in a manner consistent with Comparable Buildings.

6.1.6 Landlord shall provide nonexclusive automatic passenger elevator service at all times.

6.1.7 Landlord shall provide nonexclusive freight elevator service subject to reasonable non-discriminatory scheduling by Landlord.

6.1.8 Landlord shall provide access control services in the Building materially similar to that provided at Comparable Buildings, including the provision of twenty four (24) hours per day, seven (7) days per week, on site Project access control equipment, personnel, procedures and/or systems. Notwithstanding the foregoing, Landlord shall in no case be liable for personal injury or property damage for any error with regard to the admission to or exclusion from the Building or project of any person. Subject to guard availability and at Tenant's sole cost and expense, Landlord's security guards shall, upon Tenant's request, accompany any employee or visitor of Tenant from the Building to the Parking Facilities after sundown.

6.2 Overstandard Tenant Use. Tenant shall not, without Landlord's prior written consent (which consent shall not be unreasonably withheld), use excessive heat-generating machines, machines other than normal fractional horsepower office machines, or equipment or lighting other than typical task lighting and building standard lights in the Premises, which may adversely affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of Section 6.1 of this Lease. If such consent is given, Landlord shall have the right to install supplementary air conditioning units or other facilities in the Premises, including supplementary or additional metering devices, and the cost thereof, including the cost of installation, operation and maintenance, increased wear and tear on existing equipment and other similar charges, shall be paid by Tenant to Landlord as Additional Rent upon billing by Landlord. If Tenant uses water in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, or if Tenant's consumption of electricity shall exceed five (5) watts connected load per square foot of usable area of the Premises (exclusive of electricity for HVAC), calculated on an annual basis for the hours described in Section 6.1.1 above, Tenant shall pay to Landlord, within thirty (30) days after billing and as additional rent, the actual cost of such excess consumption, the actual cost of the installation, operation, and maintenance of equipment which is installed in order to measure and supply such excess consumption, and the actual cost (as defined below) of the increased wear and tear on existing equipment caused by such excess consumption. If Tenant uses water or electricity in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, Tenant shall pay to Landlord, within thirty (30) days following billing, the actual cost of such excess consumption, the actual cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, the actual cost of the increased wear and tear on existing equipment caused by such excess consumption, and the actual cost of installing,

testing and maintaining the metering devices. If Tenant desires to use heat, ventilation or air conditioning during hours other than those for which Landlord is obligated to supply such utilities pursuant to the terms of Section 6.1 of this Lease, Tenant shall give Landlord such prior notice, as Landlord shall from time to time reasonably establish as appropriate, of Tenant's desired use, and Landlord shall supply such heat, ventilation or air conditioning to Tenant at an hourly rate of Sixty-Eight Dollars (\$68.00) per floor, which rate shall be subject to increase but only to the extent that Landlord's "actual cost" of providing such after-hours utilities to Tenant shall increase (which shall be treated as Additional Rent); provided, however, that the first (1st) thirteen (13) hours of after-hours HVAC each month shall be at no additional cost to Tenant. For purposes of this Lease, "actual cost" shall mean the actual cost incurred by Landlord, as reasonably determined by Landlord, without charge for profit, overhead or administration, provided that, notwithstanding the foregoing, any amount actually charged by any unrelated third party to Landlord for the supply of such utilities shall be deemed Landlord's "actual cost". Tenant shall pay such cost within thirty (30) days after billing, as Additional Rent.

6.3 Interruption of Use. Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent (except as otherwise provided herein) or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by repairs, replacements, or improvements (and Landlord agrees to use commercially reasonable efforts to minimize interference with Tenant's business in the Premises in connection with the performance of any non-emergency work), by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Real Property after reasonable effort to do so, by any accident or casualty whatsoever, by act or default of Tenant or other parties; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises (subject, however, to Landlord's covenant of quiet enjoyment) or relieve Tenant from paying Rent (except as otherwise provided herein) or performing any of its obligations under this Lease; provided, however, that Landlord shall use commercially reasonable and diligent efforts to restore such service to the extent the restoration of the same is not the obligation of Tenant, the utility company or other third party. Furthermore, but subject to Section 10.1 below, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Article 6.

6.4 Additional Services. Tenant shall at Tenant's sole cost and expense provide any additional services which may be required by Tenant, including, without limitation, lamp replacement for non-Building standard lighting fixtures within the Premises, additional janitorial service, and additional repairs and maintenance; provided, however, that Landlord shall have the right, but not the obligation, to provide locksmithing service to Tenant and Tenant shall pay to Landlord, Landlord's actual cost as set forth herein. To the extent requested by Tenant, Landlord shall provide any such additional services, repairs and maintenance, provided that Tenant shall pay to Landlord upon billing, the sum of all actual costs to Landlord of such additional services plus an administration fee not to exceed five percent (5%) of such costs. Charges for any utilities or services for which Tenant is required to pay from time to time hereunder, shall be deemed Additional Rent hereunder and shall be billed on a monthly basis.

6.5 Abatement of Rent. In the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, as a result of (i) any repair, maintenance or alteration performed by Landlord, or which Landlord failed to perform, after the Lease Commencement Date and required by this Lease, which substantially interferes with Tenant's use of or ingress to or egress from the Building, Project, or Premises or the Parking Facilities; (ii) any failure to provide services, utilities or ingress to and egress from the Building, Project, or Premises as required by this Lease; or (iii) the presence of Hazardous Materials (not brought on the Premises by Tenant or Tenant Parties) in violation of Applicable Laws which poses a material health risk to the environment or the Premises (any such set of circumstances as set forth in items (i) through (iii), above, to be known as an "Abatement Event"), then Tenant shall give Landlord Notice (as defined in Section 24.19 below) of such Abatement Event, and if such Abatement Event continues for five (5) consecutive business days (including Saturday) after Landlord's receipt of any such Notice, or occurs for ten (10) non-consecutive business days in a twelve (12) month period (provided Landlord is sent a Notice pursuant to Section 24.19 of this Lease of each of such Abatement Event) (in either of such



events, the “**Eligibility Period**”), then the Base Rent and Tenant’s Share of Operating Expenses, Tax Expenses and Utilities Costs and charges for Tenant’s parking passes (to the extent not utilized by Tenant) shall be abated or reduced, as the case may be, after the expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use, the Premises, or a portion thereof, in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use (“**Unusable Area**”), bears to the total rentable area of the Premises; provided, however, in the event that Tenant is prevented from using, and does not use, the Unusable Area for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the Base Rent and Tenant’s Share of Operating Expenses, Tax Expenses and Utilities Costs and charges for Tenant’s parking passes (to the extent not utilized by Tenant) for the entire Premises shall be abated for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If, however, Tenant reoccupies any portion of the Premises during such period, the Rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date Tenant reoccupies such portion of the Premises. If Tenant’s right to abatement occurs during a free rent period which arises after the Lease Commencement Date, Tenant’s free rent period shall be extended for the number of days that the abatement period overlapped the free rent period (“**Overlap Period**”). Landlord shall have the right to extend the Lease Expiration Date for a period of time equal to the Overlap Period if Landlord sends a notice to Tenant of such election within ten (10) days following the end of the extended free rent period. Such right to abate Base Rent and Tenant’s Share of Operating Expenses, Tax Expenses and Utilities Costs and charges for Tenant’s parking passes (to the extent not utilized by Tenant) shall be Tenant’s sole and exclusive remedy at law or in equity for an Abatement Event; provided, however, (a) nothing in this Section 6.5, shall impair Tenant’s rights under Section 19.7, below, and (b) if Landlord has not cured such Abatement Event within two hundred seventy (270) days after receipt of notice from Tenant (or, in the event that the Premises or the Building are rendered inaccessible to Tenant by a casualty or act of Landlord, two hundred seventy (270) days following the date of Landlord’s actual knowledge of the occurrence of the Abatement Event), Tenant shall have the right to terminate this Lease during the first ten (10) business days of each calendar month following the end of such 270-day period until such time as Landlord has cured the Abatement Event, which right may be exercised only by delivery of thirty (30) days’ notice to Landlord (the “**Abatement Event Termination Notice**”) during such ten (10) business-day period, and shall be effective as of a date set forth in the Abatement Event Termination Notice (the “**Abatement Event Termination Date**”), which Abatement Event Termination Date shall not be less than thirty (30) days, and not more than six (6) months, following the delivery of the Abatement Event Termination notice. Notwithstanding anything contained in this Section 6.5 to the contrary, Tenant’s Abatement Event Termination Notice shall be null and void (but only in connection with the first notice sent by Tenant with respect to each separate Abatement Event) if Landlord cures such Abatement Event within such thirty (30) day period following receipt of the Abatement Event Termination Notice. To the extent Tenant is entitled to abatement because of an event covered by Articles 11 or 12 of this Lease, then the Eligibility Period shall not be applicable.

6.6 Tenant’s Security System. Subject to the terms of this Lease (including the Work Letter and/or Article 8 hereof, as applicable), Tenant may, at its own expense, install its own security system (“**Tenant’s Security System**”) in the Premises. Tenant may coordinate the Tenant’s Security System to provide that the Building’s system and the Tenant’s Security System will operate on the same type of key card, so that Tenant’s employees are able to use a single card for both systems, but shall not otherwise integrate Tenant’s Security System with the Building systems. Tenant shall be solely responsible, at Tenant’s sole cost and expense, for the monitoring and operation of Tenant’s Security System. Upon the expiration or earlier termination of this Lease, Tenant shall leave Tenant’s Security System, in the Premises, and Tenant’s Security System shall become a part of the Premises and belong to Landlord and shall be surrendered with the Premises upon the expiration or earlier termination of this Lease.

6.7 Tenant HVAC System. Tenant shall have the right, at its sole cost and expense, to install supplemental HVAC systems within the Premises for the purpose of providing supplemental air-conditioning to the Premises (“**Tenant HVAC System**”) in accordance with the terms of Article 8 below and this Section 6.7. Tenant shall have no right to utilize any space outside the Premises for the Tenant HVAC System (the space below the concrete ceiling and above the drop ceiling shall be considered a part of the Premises for purposes of this Section 6.7 and Tenant may utilize such area so long as Tenant’s use thereof does not interfere with the Base, Shell & Core including any base building equipment). All aspects of the Tenant HVAC System shall be subject to Landlord’s prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed, unless the Building structure and/or the Building systems will be adversely affected, in which event Landlord’s approval may be withheld in Landlord’s sole and absolute discretion. If required for such purpose, Tenant may connect into the Building’s chilled water system, if and to the extent that (i) Tenant’s use of chilled water pursuant to this Section 6.7 will not materially, adversely affect the chilled water system or the use thereof by other tenants of the Building, as determined by Landlord in Landlord’s reasonable discretion, and (ii) such connection is otherwise approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, unless such connection adversely affects the Building structure and/or the Building systems, in which event Landlord’s approval may be withheld in Landlord’s sole and absolute discretion. If Tenant connects into the Building’s chilled water system pursuant to the terms of the foregoing sentence, then Tenant shall install, at Tenant’s expense, a meter to measure Tenant’s use of chilled water, and Tenant shall reimburse Landlord for Tenant’s use of chilled water at the actual cost therefor. Tenant shall be permitted, at Tenant’s sole cost and expense, to access 277/480 volts of electricity from the existing bus duct riser in connection with the Tenant HVAC System. In connection with the foregoing, Tenant shall, at Tenant’s sole cost and expense, separately meter the electricity utilized by the Tenant HVAC System, and Tenant shall reimburse Landlord for the actual cost therefor. Tenant shall be solely responsible, at Tenant’s sole cost and expense, for the monitoring, operation, maintenance, repair, and replacement of the Tenant HVAC System, and in no event shall the Tenant HVAC System interfere with Landlord’s operation of the Building. Any reimbursements owing by Tenant to Landlord pursuant to this Section 6.7 shall be payable by Tenant within thirty (30) days of Tenant’s receipt of an invoice therefor. Tenant shall leave the Tenant HVAC System in the Premises, and surrender the same to Landlord upon the expiration or earlier termination of this Lease, and such system shall become a part of the realty and Tenant shall thereafter have no further rights with respect thereto.

6.8 Property Manager. Landlord shall provide a commercially reasonable system pursuant to which Tenant, in the event of any emergency, may promptly contact the Project manager and Project engineer or their equivalent twenty-four (24) hours per day, seven (7) days per week (whether or not within business hours).

6.9 Fiber Optic. Subject to the terms of this Lease (including Article 8 below), and subject to Tenant obtaining Landlord’s consent, which shall not be unreasonably withheld or delayed, Tenant shall have the right, at Tenant’s sole cost and expense, to bring to the Building such fiber optic cabling as Tenant shall desire. Landlord shall reasonably cooperate with Tenant, at Tenant’s sole cost and expense, in connection with Tenant’s securing access to the fiber optic cabling of Tenant’s choice.

6.10 Internet Service. Tenant shall have the right to contract with any internet service provider desired by Tenant, at Tenant’s sole cost and expense.

6.11 Loading Dock. At no additional cost, Tenant shall have the non-exclusive right to use the loading dock serving the Building so long as Tenant’s use thereof does not interfere with Landlord’s operation of the Building or the use of such loading dock by other tenants, service providers and vendors for the Building.

6.12 Emergency Generator. Upon Tenant’s written request, Landlord will use good faith efforts to accommodate Tenant installing an emergency generator in the Project; provided, however, that the exact location, specifications, operational standards, use, installation and removal of such generator (if any) shall be subject to Landlord’s commercially reasonable requirements regarding the same.

## ARTICLE 7

### REPAIRS

7.1 **Tenant's Repairs.** Subject to Landlord's repair obligations in Sections 7.2 and 11.1 below, Tenant shall, at Tenant's own expense, keep the non-structural, interior portions of the Premises, including all improvements, fixtures and furnishings, in good order, repair and condition at all times during the Lease Term (but such obligation shall not extend to the Building Structure and the Building Systems, except pursuant to the BS/BS Exception (as all such terms are defined in Section 7.2, below)). In addition, except as provided as part of Landlord's repair obligation set forth above or elsewhere in this Lease, Tenant shall, at Tenant's own expense, but under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord, pursuant to the terms of this Lease, including, without limitation, Article 8 hereof, promptly and adequately repair all damage to the Premises and replace or repair all damaged, broken, or worn fixtures and appurtenances, except for damage caused by ordinary wear and tear or beyond the reasonable control of Tenant (but such obligation shall not extend to the Building Structure and the Building Systems, except pursuant to the BS/BS Exception); provided however, that, at Landlord's option, but only if Tenant fails to make such repairs and replacements, Landlord may, but need not, make such repairs and replacements within thirty (30) days after notice thereof from Landlord (or such sooner period in the case of an emergency), and Tenant shall pay Landlord the cost thereof, sufficient to reimburse Landlord for all the actual costs thereof, as well as a percentage of the actual costs thereof (to be uniformly established for the Building, but in no event to exceed five percent (5%)) sufficient to reimburse Landlord for all overhead, general conditions, fees and other costs or expenses arising from Landlord's involvement with such repairs and replacements, to the extent not duplicative of Operating Expenses or Utilities Costs and to the extent the work is not performed by people whose salaries are paid out of Operating Expenses or Utilities Costs, forthwith upon being billed for same.

7.2 **Landlord's Repairs.** Anything contained in Section 7.1 above to the contrary notwithstanding, and subject to Articles 11 and 12 of this Lease, Landlord shall maintain and keep in good repair and condition at all times during the Lease Term, in a manner substantially consistent with the maintenance and operations standards employed by landlords of Comparable Buildings, the exterior walls, foundation and roof of the Building, the Common Areas, the structural portions of the Building, including the floor/ceiling slabs, roof, curtain wall, exterior glass and mullions, columns, beams, shafts (including elevator shafts), stairs, parking areas, stairwells (excluding internal stairwells), escalators, elevator cabs, plazas, pavement, sidewalks, curbs, entrances, landscaping, art work, sculptures, men's and women's public washrooms, Building mechanical, electrical and telephone closets, and all common and public areas (collectively, "**Building Structure**") and the base building mechanical, electrical, life safety, plumbing, sprinkler systems and HVAC systems and other building systems and equipment which were not constructed by, and are not for the exclusive use of, Tenant or Tenant Parties (collectively, the "**Building Systems**"). Notwithstanding anything in this Lease to the contrary, Tenant shall be required to repair the Building Structure and/or the Building Systems to the extent required because of (i) Tenant's use of the Premises for other than other than normal and customary business office operations, or (ii) the negligence or willful misconduct of Tenant or the Tenant Parties, unless and to the extent such damage is covered by insurance carried or required to be carried by Landlord pursuant to Article 10 and to which the waiver of subrogation is applicable (such obligation to the extent applicable to Tenant as qualified and conditioned will hereinafter be defined as the "**BS/BS Exception**"). Landlord may, but shall not be required to, enter the Premises (but except during emergencies, Landlord may not enter "Secured Areas," as that term is defined in Article 22 of this Lease) at all reasonable times to make such repairs, alterations, improvements or additions to the Premises or to the Project or to any equipment located in the Project as Landlord shall desire or deem necessary or as Landlord may be required to do by Applicable Laws; provided, however, except for emergencies, any such entry into the Premises by Landlord shall be performed in a manner so as to minimize any material or adverse affect upon Tenant's use of, or ingress or egress to, the Premises. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code; or under any similar law, statute, or ordinance now or hereafter in effect.

**ADDITIONS AND ALTERATIONS**

8.1 **Landlord's Consent to Alterations.** Tenant shall have the right, without Landlord's consent, but upon three (3) business days prior written notice to Landlord, to make strictly cosmetic, non-structural additions and alterations to the Premises that do not (i) involve the expenditure of more than Five Dollars (\$5.00) per rentable square foot of the Premises occupied by Tenant at the time of such alteration in the aggregate in any twelve (12) month period during the Lease Term, (ii) affect the exterior appearance of the Building or any areas outside the Premises, (iii) affect or impact in any way the Building Structure or Building Systems, or (iv) require the issuance of a building permit (collectively, "**Non-Consent Alterations**"). Tenant shall also have the right without prior notice at any time to install phone, computer and telecommunications lines and cabling that do not affect the Building Systems and are located entirely within the Premises. Except in connection with Non-Consent Alterations, Tenant may not make any improvements, alterations, additions or changes to the Premises (collectively, the "**Alterations**") without first procuring the prior written consent of Landlord to the plans, specifications and working drawings for such Alterations, which consent shall be requested by Tenant not less than ten (10) business days prior to the commencement thereof, and which consent shall not be unreasonably withheld or conditioned by Landlord unless a Design Problem exists and shall be granted or denied by Landlord within ten (10) business days. A "**Design Problem**" is defined as, and will be deemed to exist if such Alteration will (a) affect the exterior appearance of the Building; (b) adversely affect the Building Structure; (c) adversely affect the Building Systems; (d) unreasonably interfere with any other occupant's normal and customary office operation; or (e) fail to comply with Applicable Laws. Notwithstanding the foregoing, the installation by Tenant of a Wi-Fi Network shall be governed by the terms of **Section 8.3** below. If Tenant orders such Alterations from Landlord, Tenant shall pay for all overhead, general conditions, fees and other costs and expenses of the Alterations, and in connection with Alterations which will cost in excess of One Hundred Thousand Dollars (\$100,000.00), Tenant shall pay to Landlord a Landlord supervision fee of two and one-half percent (2.5%) of the hard costs of the Alterations. If Tenant shall itself make the Alterations, Tenant shall pay for all overhead, general conditions, fees and other costs and expenses of the Alterations, and shall pay to Landlord a supervision fee of two and one-half percent (2 ½ %) of the hard cost of any Alterations which will cost in excess of One Hundred Thousand Dollars (\$100,000.00). The construction of the initial improvements to the Premises shall be governed by the terms of the Work Letter and not the terms of this **Article 8**.

8.2 **Manner of Construction.** Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its reasonable discretion consistent with landlords of Comparable Buildings may deem desirable, including, but not limited to, the requirement that (i) Tenant utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Tenant and reasonably approved by Landlord, (ii) subject to the terms of **Section 8.4** below, upon Landlord's request given at the time of any required consent, Tenant shall, at Tenant's expense, remove such Alterations upon the expiration or any early termination of the Lease Term, and (iii) all Alterations are of equal or greater quality as compared to the lesser of (A) the Building's standards established by Landlord and (B) the then existing improvements located in the applicable portion of the Premises. Tenant shall construct such Alterations and perform such repairs in conformance with any and all Applicable Laws and pursuant to a valid building permit (if applicable), issued by the City of Glendale, all in conformance with Landlord's reasonable non-discriminatory written construction rules and regulations. Landlord's approval of the plans, specifications and working drawings for Tenant's Alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All work with respect to any Alterations must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Premises shall at all times be a complete unit except during the period of work. In the event Tenant performs any Alterations in the Premises which require or give rise to governmentally required changes to the "**Base Building**," as that term is defined below, then Landlord shall, at Tenant's expense based on actual cost, make such changes to the Base Building. The "**Base Building**" shall include the Base, Shell & Core, the Building Structure and the Building Systems (including the core restrooms) on the floor or

floors on which the Premises are located. In performing the work of any such Alterations, Tenant shall have the work performed in such manner so as not to obstruct access to the Project or any portion thereof, by any other tenant of the Project, and so as not to obstruct the business of Landlord or other tenants in the Project. If Tenant makes any Alterations, Tenant agrees to carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord, in an amount sufficient to ensure the lien free completion of Alterations costing in excess of Twenty-Five Thousand Dollars (\$25,000.00) and naming Landlord as a co-obligee; provided, however, that the requirements of such lien and completion bond shall not be applicable to the Original Tenant or any Affiliate. In addition to Tenant's obligations under Article 9 of this Lease, upon completion of any Alterations, at Landlord's request, Tenant agrees to prepare and Landlord shall execute if factually correct, and Tenant shall cause a Notice of Completion to be recorded in the office of the Recorder of the County of Los Angeles in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, (ii) deliver to the management office of the Real Property a reproducible copy of the "as built" drawings of the Alterations, and (iii) deliver to Landlord evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials.

8.3 Wi-Fi Network. Without limiting the generality of the foregoing, in the event Tenant desires to install wireless intranet, Internet or any data or communications network ("Wi-Fi Network") in the Premises for the use by Tenant and its employees, then the same shall be subject to the provisions of this Section 8.3 (in addition to the other provisions of this Article 8). In the event Landlord consents to Tenant's installation of such Wi-Fi Network, which consent shall not be unreasonably withheld, Tenant shall, in accordance with Section 8.4 below, remove the Wi-Fi Network from the Premises prior to the termination of the Lease. Tenant shall use the Wi-Fi Network so as not to cause any interference to other tenants in the Building or to other tenants at the Project or with any other tenant's communication equipment, and not to damage the Building or Project or interfere with the normal operation of the Building or Project and Tenant hereby agrees to indemnify, defend and hold Landlord harmless from and against any and all claims, costs, damages, expenses and liabilities (including attorneys' fees) arising out of Tenant's failure to comply with the provisions of this Section 8.3, except to the extent same is caused by the negligence or willful misconduct of Landlord and which is not covered by the insurance carried by Tenant under this Lease (or which would not be covered by the insurance required to be carried by Tenant under this Lease). Should any interference occur, Tenant shall take all necessary steps as soon as reasonably possible and no later than five (5) business days following such occurrence to correct such interference. If such interference continues after such five (5) business day period, Tenant shall immediately cease operating such Wi-Fi Network until such interference is corrected or remedied to Landlord's reasonable satisfaction. Tenant acknowledges that Landlord has granted and/or may grant telecommunication rights to other tenants and occupants of the Building and to telecommunication service providers and in no event shall Landlord be liable to Tenant for any interference of the same with such Wi-Fi Network; provided, however, Landlord shall use commercially reasonable efforts to cause such other networks to cure their interference. Landlord makes no representation that the Wi-Fi Network will be able to receive or transmit communication signals without interference or disturbance. Tenant shall (i) be solely responsible for any damage caused as a result of the Wi-Fi Network, (ii) promptly pay any tax, license or permit fees charged pursuant to any laws or regulations in connection with the installation, maintenance or use of the Wi-Fi Network and comply with all precautions and safeguards recommended by all governmental authorities, (iii) pay for all necessary repairs, replacements to or maintenance of the Wi-Fi Network, and (iv) be responsible for any modifications, additions or repairs to Building systems or infrastructure which are required by reason of the installation or operation of Tenant's Wi-Fi Network. Should Landlord be required to retain professionals to research any interference issues that may arise and to confirm Tenant's compliance with the terms of this Section 8.3, Landlord shall retain such professionals at commercially reasonable rates, and Tenant shall reimburse Landlord as Additional Rent within thirty (30) days following submission to Tenant of an invoice from Landlord, which costs shall not exceed \$500 per year (except in the event of a default by Tenant hereunder). This reimbursement obligation is independent of any rights or remedies Landlord may have in the event of a breach of default by Tenant under this Lease.

8.4 Landlord's Property. All Alterations, improvements, fixtures and/or equipment which may be installed or placed in or about the Premises, and all signs installed in, on or about the Premises, from time to time, shall be at the sole cost of Tenant (except as otherwise set forth herein) and shall be and become the property of Landlord, except that Tenant may remove any Alterations, improvements, fixtures and/or equipment which Tenant can substantiate to Landlord have not been paid for with any improvement allowance funds provided to Tenant by Landlord, provided Tenant repairs any damage to the Premises and Building caused by such removal and returns the affected portion of the Premises the condition existing prior to Tenant's installation of the subject Alteration, improvement, fixture and/or equipment. Furthermore, Landlord, at the time of Landlord's consent, may require that Tenant remove any improvement (including the Tenant Improvements) or Alteration upon the expiration or early termination of the Lease Term, and repair any damage to the Premises and Building caused by such removal. Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree that (x) upon the expiration or earlier termination of the Lease Term, Tenant shall not be required to remove or restore any improvements or alterations existing in the Premises as of the date of this Lease (unless the same are subsequently altered, modified or replaced by Tenant, in which event the terms of this Section 8.4 shall apply with respect to Tenant's removal and/or restoration obligations relating thereto) and any Alterations or Non-Consent Alterations that constitute normal and customary office improvements, (y) Landlord shall make such designation, if at all, concurrently with Landlord's approval (if applicable) of the subject subsequent Alteration or improvement or systems and equipment, and (z) in no event shall Tenant have any obligation to remove or restore any improvements or alterations existing in the Premises as of the last day of the fifth (5<sup>th</sup>) year of the initial Lease Term. Whether an improvement or alteration is a normal and customary office improvement for purposes of this Section 8.4 shall be determined based upon what are generally considered normal and customary office improvements by landlords of Comparable Buildings. To be considered a non-normal and customary office improvement for purposes of this Section 8.4, the cost to remove such item must be higher than the cost to remove typical office improvements. Examples of improvements and alterations that the parties agree are not normal and customary office improvements are vaults, raised floors, and any showers or bathrooms not including Building core bathrooms. If Tenant fails to complete any required removal and/or to repair any damage caused by the removal of any Tenant Improvements and/or Alterations, Landlord may do so and may charge the actual cost thereof to Tenant, and Tenant shall pay such cost to Landlord as Additional Rent within thirty (30) days of being billed for the same.

## ARTICLE 9

### COVENANT AGAINST LIENS

Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon the Real Property, Building or Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only. Landlord shall have the right at all times to post and keep posted on the Premises any notice which it deems necessary for protection from such liens. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen or others to be placed against the Real Property, the Building or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Tenant or the Premises, and, in case of any such lien attaching or notice of any lien, Tenant covenants and agrees to cause it to be immediately released and removed of record. Notwithstanding anything to the contrary set forth in this Lease, if any such lien is not released and removed or bonded over within fifteen (15) business days following the date notice of such lien is delivered by Landlord to Tenant, Landlord, at its sole option, may immediately take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Landlord in connection with such lien shall be deemed Additional Rent under this Lease and shall be due and payable by Tenant within thirty (30) days following demand therefor.

**INDEMNIFICATION AND INSURANCE**

10.1 **Indemnification and Waiver.** Except to the extent caused by the negligence or willful misconduct of any Landlord Party (as defined below) and subject to the waiver of subrogation, Tenant hereby assumes all risk of damage to property and injury to persons, in, on, or about the Premises from any cause whatsoever and agrees that, to the extent not prohibited by Applicable Laws, Landlord, and its partners and subpartners, and their respective officers, agents, property managers, servants, employees, and independent contractors (collectively, "**Landlord Parties**") shall not be liable for, and are hereby released from any responsibility for, any damage to property or injury to persons or resulting from the loss of use thereof, which damage or injury is sustained by Tenant or by other persons claiming through Tenant, except for damage to property which Landlord insures or is required to insure pursuant to the terms and conditions of this Lease and except for injury to persons outside of the Premises to the extent caused by the negligence or willful misconduct of the Landlord Parties. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) (collectively, "**Claims**"), except to the extent arising from the negligence or willful misconduct of the Landlord Parties, incurred in connection with or arising from any cause in, on or about the Premises (including, without limitation, Tenant's installation, placement and removal of Alterations, improvements, fixtures and/or equipment in, on or about the Premises), and any negligence or willful misconduct of Tenant or of any person claiming by, through or under Tenant, or of the contractors, agents, servants, employees, licensees or invitees of Tenant (collectively, "**Tenant Parties**") or any such person, in, on or about the Premises, the Building and Real Property; provided, however, that the terms of the foregoing indemnity shall not apply to the negligence or willful misconduct of Landlord or Landlord Parties. Landlord hereby indemnifies, defends, protects and holds Tenant and Tenant Parties harmless from any such Claims and from Claims to the extent resulting from a breach of the terms of this Lease by Landlord; provided further that because Landlord is required to maintain insurance on the Building and the Project and Tenant compensates Landlord for such insurance as part of Tenant's Share of Operating Expenses and because of the existence of waivers of subrogation or other waivers set forth in this [Section 10.1](#) and in [Section 10.3.7](#) of this Lease, Landlord hereby indemnifies, defends, protects and holds Tenant harmless from any Claim to any property to the extent such Claim is covered by such insurance (or would have been covered if Landlord had carried the insurance required hereunder), even if resulting from the negligent acts, omissions, or willful misconduct of the Tenant Parties. Similarly, since Tenant must carry insurance pursuant to this [Article 10](#) to cover its personal property within the Premises, the Tenant Improvements, and the Alterations, Tenant hereby indemnifies and holds Landlord harmless from any Claim to any property within the Premises, to the extent such Claim is covered by such insurance (or would have been covered if Tenant had carried the insurance required hereunder), even if resulting from the negligent acts, omissions or willful misconduct of the Landlord Parties. Further, Tenant's agreement to indemnify Landlord and Landlord's agreement to indemnify Tenant pursuant to this [Section 10.1](#) are not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Tenant or Landlord pursuant to the provisions of this Lease, to the extent such policies cover the matters subject to each party's indemnification obligations. Should Landlord or Tenant be named as a defendant in connection with a Claim which the subject party is to be indemnified by the other party pursuant to the terms hereof, the indemnifying party shall pay the indemnified party's actual and reasonable costs and expenses incurred in such suit, including without limitation, its actual professional fees such as reasonable appraisers', accountants' and attorneys' fees. The provisions of this [Section 10.1](#) shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination. Notwithstanding anything in this Lease to the contrary, nothing in this Lease shall impose any obligations upon Landlord or Tenant to be responsible or liable for, and each hereby releases the other from all liability for, consequential damages, other than those consequential damages incurred by Landlord in connection with a holdover of the Premises by Tenant after the expiration or earlier termination of this Lease or incurred by Landlord in connection with any repair, physical construction or improvement work performed by or on behalf of Tenant in the Project.

10.2 **Landlord's Insurance; Tenant's Compliance with Landlord's Fire and Casualty Insurance.** In a manner substantially consistent with the practices of landlords of Comparable Buildings, Landlord shall carry commercial general liability insurance with respect to the Building during the Lease Term, and shall further carry commercial property insurance and shall insure the Building and the Project during the Lease Term (for the full replacement value to the extent consistent with the practices of landlords of the Comparable Buildings) against loss or damage due to fire and other casualties covered within the classification of fire and extended

coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage and special extended coverage. Such coverage shall be in such amounts, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Additionally, at the option of Landlord, such insurance coverage may include the risks of earthquakes and/or flood damage, terrorist acts and additional hazards, a rental loss endorsement and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Building or the ground or underlying lessors of the Building, or any portion thereof. Notwithstanding the foregoing provisions of this Section 10.2, the coverage and amounts of insurance carried by Landlord in connection with the Building shall, at a minimum, be comparable to the coverage and amounts of insurance which are carried by reasonably prudent landlords of Comparable Buildings (provided that in no event shall Landlord be required to carry earthquake insurance), including Worker's Compensation and Employer's Liability coverage as required by Applicable Laws. Tenant shall, at Tenant's expense, comply as to the Premises with all commercially reasonable insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises (other than for the permitted use) causes any increase in the premium for such insurance policies, then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

10.3 Tenant's Insurance. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage (including loss of use thereof) arising out of Tenant's operations and contractual liabilities (covering the performance by Tenant of its indemnity agreements and containing a cross liability endorsement or severability of interest clause acceptable to Landlord) for limits of liability not less than:

Bodily Injury and	\$5,000,000 each occurrence
Property Damage Liability	\$5,000,000 annual aggregate
Personal Injury Liability	\$5,000,000 each occurrence
	\$5,000,000 annual aggregate
	0% Insured's participation

Landlord and Tenant acknowledge that Tenant shall have the right to cover its insurance requirements set forth in Sections 10.3.1 and 10.3.5 with a combination of auto liability, general liability and umbrella insurance coverages, provided that the amounts (based upon the general liability policy and the allocations of the umbrella policy) and other conditions required to be satisfied by the terms of this Article 10 are satisfied by such coverages.

10.3.2 Physical Damage Insurance covering (i) all office furniture, trade fixtures, office equipment, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) the Tenant Improvements, including any Tenant Improvements which Landlord permits to be installed above the ceiling of the Premises or below the floor of the Premises, and (iii) all other improvements, alterations and additions to the Premises, including any improvements, alterations or additions installed at Tenant's request above the ceiling of the Premises or below the floor of the Premises. Such insurance shall be written on an "all-risks" "physical loss or damage" basis, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes and explosion. Tenant shall have the right to maintain the insurance required hereunder through a "blanket policy" of insurance, provided the aggregate limits of insurance coverage required to be in effect for the Premises pursuant to the terms hereof shall not be reduced as a result of claims made against other premises or property of Tenant covered under such policy, and such blanket policy shall comply with the terms hereof.

10.3.3 Workers' compensation insurance as required by law.



10.3.4 Loss of income, business interruption and extra expense insurance in such amounts as will reimburse Tenant for direct and indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of loss of access to the Premises or to the Building as a result of such perils; provided, however, that Tenant shall have the right to elect not to maintain the types and amounts of insurance as set forth in this Section 10.3.4. In the event Tenant shall elect not to so maintain the types and amounts of insurance as set forth in this Section 10.3.4, then Tenant shall be deemed to have fully self-insured such losses and shall have no right, under any circumstances, to seek recourse against Landlord or Landlord's insurance coverage for any losses incurred by Tenant.

10.3.5 Tenant shall carry commercial automobile liability insurance having a combined single limit of not less than One Million Dollars (\$1,000,000.00) per occurrence and insuring Tenant against liability for claims arising out of ownership, maintenance or use of any owned, hired or non-owned automobiles.

10.3.6 The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall: (i) name Landlord, and any other party it reasonably so specifies, as an additional insured; (ii) specifically cover the liability assumed by Tenant under this Lease, including, but not limited to, Tenant's obligations under Section 10.1 of this Lease to the extent commercially reasonably available; (iii) be issued by an insurance company having a rating of not less than A-VIII in Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed to do business in the state in which the Real Property is located; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance requirement of Tenant; and (v) provide that the insurer shall endeavor to provide ten (10) days' prior written notice to Landlord and any mortgagee or ground or underlying lessor of Landlord if said insurance shall be canceled or coverage changed below that which is required under this Lease. Tenant shall deliver certificates evidencing said policies to Landlord on or before the date Landlord delivers possession of the Premises to Tenant (and as a condition to Landlord's delivery of the Premises to Tenant) and at least five (5) days before the expiration dates thereof. In addition to the foregoing, Tenant shall deliver certificates evidencing said policies to Landlord at least ten (10) days after receipt by Tenant of written notice that its insurance policy or coverage thereunder is being cancelled due to the non-payment by Tenant of the premium on the types and amounts of insurance required to be maintained by Tenant under Section 10.3 of this Lease. If Tenant shall fail to procure such insurance, or to deliver such certificates, within such time periods, Landlord may, at its option, in addition to all of its other rights and remedies under this Lease, and without regard to any notice and cure periods set forth in Section 19.1 but upon five (5) business days notice to Tenant, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent within thirty (30) days after delivery of bills therefor.

10.3.7 Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by their respective insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor. If either party fails to carry the amounts and types of insurance required to be carried by it pursuant to this Article 10, in addition to any remedies the other party may have under this Lease, such failure shall be deemed to be a covenant and agreement by such party to self-insure with respect to the type and amount of insurance which such party so failed to carry, with full waiver of subrogation with respect thereto (provided that nothing contained herein shall be construed as granting Landlord or Tenant the right to self insure the obligations set forth in this Article 10).

**DAMAGE AND DESTRUCTION**

11.1 Repair of Damage to Premises by Landlord. To the extent that Landlord does not already have actual knowledge of the same, Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises, Project or any Common Areas serving or providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the base, shell, and core of the Project and such Common Areas. Such restoration shall be to substantially the same condition of the base, shell, and core of the Project and Common Areas prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Building or Real Property, or the lessor of a ground or underlying lease with respect to the Real Property and/or the Building, or any other modifications to the Common Areas deemed desirable by Landlord, which are consistent with the character of the Project, provided access to the Premises, Parking Facilities and any Common Areas serving the Premises shall not be materially impaired. Notwithstanding any other provision of this Lease, upon the occurrence of any damage to the Premises, upon notice (the "**Landlord's Repair Notice**") to Tenant from Landlord, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 10.3.2(ii) and (iii) of this Lease, and Landlord shall repair any injury or damage to the tenant improvements and alterations installed in the Premises and shall return such tenant improvements and alterations to their original condition; provided that if the cost of such repair by Landlord (based on competitive pricing without any profit mark-up or supervision fees to Landlord or its Affiliates) exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as assigned by Tenant, the excess cost of such repairs shall be paid by Tenant to Landlord on a progress payment basis during Landlord's repair of the damage. Tenant's insurance proceeds shall be disbursed for all costs and expenses incurred by Landlord in connection with the repair of any such damage to the Tenant Improvements and Alterations pursuant to a disbursement procedure mutually approved by Landlord and Tenant. As long as the Tenant Improvements and other alterations, improvements and additions in the Premises are rebuilt, Tenant shall be entitled to retain any portion of the proceeds of the insurance described in Sections 10.3.2 (ii) and (iii) in excess of the cost of such restoration. Notwithstanding anything to the contrary herein, in no event shall Landlord be obligated to repair or restore any specialized or dedicated equipment serving Tenant, such as any cabling, wiring, supplemental utility system, telephone system or wireless/Wi-Fi Network. Landlord shall use commercially reasonable efforts to minimize any such inconvenience, annoyance or interference to Tenant resulting from Landlord's repair of any damage pursuant to this Section 11.1. Whether or not Landlord delivers a Landlord Repair Notice, prior to the commencement of construction, if this Lease does not terminate pursuant to Section 11.2 below or for any other reason, Tenant shall, prior to the commencement of construction, submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto, and Landlord shall select the non-affiliated independent third-party contractors to perform such improvement work. Landlord shall not be liable for any inconvenience or annoyance to Tenant or the Tenant Parties, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or Common Areas necessary for Tenant to reasonably conduct Tenant's Permitted Use, and the Premises (or a portion thereof) are not occupied by Tenant as a result thereof, then during the time and to the extent the Premises are unfit for the Permitted Use, the Rent shall be abated (including, in the event that Tenant performs such repairs, abatement during a commercially reasonable period of build-out time and a weekend to move-in) in proportion to the ratio that the amount of rentable square feet of the Premises which is unfit for the Permitted Use bears to the total rentable square feet of the Premises; provided, further, if the Premises is damaged such that the remaining portion thereof is not sufficient to allow Tenant to conduct its business operations from such remaining portion and Tenant does not conduct its business operations therefrom, Landlord shall allow Tenant a total abatement of Rent during the time and to the extent the Premises are unfit for occupancy for the Permitted Use, and not occupied by Tenant as a result of the subject damage (including, in the event that Tenant performs such repairs, abatement during a commercially reasonable period of build-out time and a weekend to move-in). In the event that Landlord shall not deliver the Landlord Repair Notice, Tenant's right to rent abatement pursuant to the preceding sentence shall terminate as of the date Tenant should have completed repairs to the Premises assuming Tenant used reasonable due diligence in connection therewith.

11.2 Landlord's Option to Repair. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, the Building and/or any other portion of the Real Property and instead terminate this Lease by notifying Tenant in writing of such termination within sixty (60) days after the date of damage, such notice to include a termination date giving Tenant ninety (90) days to vacate the Premises, but Landlord may so elect only if the (a) Building or Project shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, (b) Landlord elects to terminate the leases of all other tenants of the Project similarly affected by the damage and destruction and (c) one or more of the following conditions is present: (i) repairs cannot reasonably be completed within one hundred eighty (180) days of the date of damage (when such repairs are made without the payment of overtime or other premiums); (ii) the holder of any mortgage on the Real Property or ground or underlying lessor with respect to the Real Property and/or the Building shall require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground or underlying lease, as the case may be; or (iii) the damage is not fully covered, except for deductible amounts, by Landlord's insurance policies (or by the insurance Landlord is required to carry under this Lease); provided, however, that if Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and the repairs cannot, in the reasonable opinion of a licensed architect or contractor reasonably selected by Landlord, be completed within one hundred eighty (180) days after the date of the damage or destruction (which period shall be subject to extension for up to sixty (60) days as a result of an event of Force Majeure), Tenant may, within thirty (30) days following Landlord's election to rebuild and/or restore the Premises, Building and/or Project, elect to terminate this Lease by written notice to Landlord effective as of the date specified in the notice, which date shall not be less than thirty (30) days nor more than ninety (90) days after the date such notice is given by Tenant. Furthermore, if neither Landlord nor Tenant has terminated this Lease, and the repairs are not actually completed within two hundred forty (240) days following the date of the damage (which period shall be subject to extension as a result of any Force Majeure), Tenant shall have the right to terminate this Lease during the first five (5) business days of each calendar month following the end of such period until such time as the repairs are complete, by notice to Landlord (the "**Damage Termination Notice**"), effective as of a date set forth in the Damage Termination Notice (the "**Damage Termination Date**"), which Damage Termination Date shall not be less than ten (10) business days nor more than ninety (90) days following the end of each such month. At any time, from time to time, after the date occurring sixty (60) days after the date of the damage, Tenant may request that Landlord provide Tenant with an estimate from the architect or contractor described above setting forth such architect's or contractor's reasonable opinion of the date of completion of the repairs and Landlord shall respond to such request within ten (10) business days. In the event that the Premises or the Building is destroyed or damaged to any substantial extent during the last twelve (12) months of the Lease Term (excluding unexercised Extension Options, as hereinafter defined in the Extension Options Rider attached to this Lease) and, in the reasonable judgment of Landlord, the damage or destruction to the Premises or Building cannot be repaired by the date which occurs fifty percent (50%) of the way through the then remaining Lease Term, then notwithstanding anything contained in this Article 11, either Landlord or Tenant shall have the option to terminate this Lease by giving written notice to the other party of the exercise of such option within thirty (30) days after such damage or destruction, in which event this Lease shall cease and terminate one hundred twenty (120) days after the date of such notice, Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of damage, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term. Upon any such termination of this Lease pursuant to this Section 11.2, Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of termination, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term.

11.3 Waiver of Statutory Provisions. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or any other portion of the Real Property, and any statute or regulation of the state in which the Real Property is located, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or any other portion of the Real Property.

## **ARTICLE 12**

### **CONDEMNATION**

12.1 Permanent Taking. If the whole or any material part (i.e., more than twenty-five percent (25%)) of the Premises, Building or Real Property shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any material part of the Premises, Building or Real Property, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking, condemnation, reconfiguration, vacation, deed or other instrument; provided, however, that (i) Landlord shall only have the right to terminate this Lease as provided herein if Landlord terminates the leases of all tenants in the Building similarly affected by the taking, and (ii) to the extent that the Premises are not adversely affected by such taking and Landlord continues to operate the Building as an office building, Landlord shall not terminate this Lease. If more than twenty-five percent (25%) of the rentable square feet of the Premises is taken, or if access to the Premises is substantially impaired, or if Tenant cannot conduct its business operations in substantially the same manner such business operations were conducted prior to such taking while still retaining substantially the same material rights and benefits it bargained to receive under this Lease, Tenant shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking. Landlord shall be entitled to receive the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses, so long as such claim is payable separately to Tenant or is otherwise separately identifiable. All Rent shall be apportioned as of the date of such termination, or the date of such taking, whichever shall first occur. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

12.2 Temporary Taking. Notwithstanding anything to the contrary contained in this Article 12, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises; provided, further, that in such event, if a portion of the Premises is taken such that the remaining portion thereof is not sufficient to allow Tenant to conduct its business operations from such remaining portion and Tenant does not conduct its business operations therefrom, Landlord shall allow Tenant a total abatement of Rent during the time and to the extent the Premises are taken, and not occupied by Tenant as a result thereof. Tenant's abatement period shall continue until Tenant has been given reasonably sufficient time, and reasonably sufficient access to the Premises, the parking facilities and/or the Building, to install its property, furniture, fixtures, and equipment to the extent the same shall have been removed and/or damaged as a result of such eminent domain taking and to move in over one (1) weekend. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

ARTICLE 13

COVENANT OF QUIET ENJOYMENT

Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed within all applicable notice and cure periods, shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 Transfers. Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or conditioned, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or permit the occupancy or use of the Premises by any persons other than Tenant, its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as "**Transfers**" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "**Transferee**"). If Tenant shall desire Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "**Transfer Notice**") shall include (i) the proposed effective date of the Transfer, which shall not be less than ten (10) business days, (ii) a description of the portion of the Premises to be transferred (the "**Subject Space**"), (iii) all of the terms of the proposed Transfer, the name and address of the proposed Transferee, and a copy of all existing and/or proposed documentation pertaining to the proposed Transfer (but not any documentation related solely to the sale of Tenant's business), including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, and (v) such other information as Landlord may reasonably require. Landlord shall approve or disapprove of the proposed Transfer in accordance with Section 14.2, below, within fifteen (15) business days (the "**Review Period**") after Landlord's receipt of the applicable Transfer Notice. In the event that Landlord fails to notify Tenant in writing of such approval or disapproval within such Review Period, Tenant shall provide Landlord with a second (2nd) Transfer Notice and in the event Landlord fails to notify Tenant in writing of such approval or disapproval within five (5) business days of the receipt by Landlord of the second (2nd) Transfer Notice, Landlord shall be deemed to have approved such Transfer. Any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect. Each time Tenant requests Landlord's consent to a proposed Transfer, whether or not Landlord shall grant consent, within thirty (30) days after written request by Landlord, as Additional Rent hereunder, Tenant shall reimburse Landlord for its review and processing fees, as well as reasonable legal fees incurred by Landlord in connection with Tenant's proposed Transfer, not to exceed Two Thousand Five Hundred Dollars (\$2,500.00) in the aggregate per Transfer in the ordinary course of business.

14.2 Landlord's Consent. Landlord shall not unreasonably withhold or condition its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. The parties hereby agree that it shall be reasonable under this Lease and under any Applicable Law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply, without limitation as to other reasonable grounds for withholding consent:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or Real Property as reflected by the then-existing tenants of the Project with respect to comparable space;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof (i) which is that of a foreign country, (ii) which is of a character or reputation, is engaged in a business, or is of, or is associated with, a political orientation or faction, which is inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of a comparable building located in the vicinity of the Project, (iii) which is capable of exercising the power of eminent domain or condemnation, or (iv) which would significantly increase the human traffic in, or the security threat to, the Premises, the Building, and/or the Project;

14.2.4 The Transfer will result in more than a reasonable and safe number of occupants per floor within the Subject Space;

14.2.5 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken pursuant to the Transfer on the date consent is requested; or

14.2.6 The proposed Transfer would cause Landlord to be in violation of another lease or agreement to which Landlord is a party, or would give an occupant of the Building or Real Property a right to cancel its lease, provided that upon written request from Tenant, Landlord shall provide notice of the nature of all such applicable rights.

14.2.7 Either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee, (i) occupies space in the Project except for a proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, a proposed Transferee which occupies space in the Project that is contiguous to the Premises at the time of the request for consent (whether on the same floor or a contiguous floor by floor basis), or (ii) is negotiating with Landlord to lease space in the Project at such time (as evidenced by an exchange of letters in the last four (4) months), and Landlord has comparable space in the Project available to lease to such Transferee.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 (and does not exercise any recapture rights Landlord may have under Section 14.4 of this Lease), Tenant may within nine (9) months after Landlord's consent, but not later than the expiration of said nine-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 of this Lease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, or (ii) which would cause the proposed Transfer to be more materially favorable to the Transferee than the terms set forth in Tenant's original Transfer Notice, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord's right of recapture, if any, under Section 14.4 of this Lease).

14.3 Transfer Premium. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "Transfer Premium," as that term is defined in this Section 14.3, actually received by Tenant from such Transferee. "**Transfer Premium**" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer (as opposed to the sale of Tenant's business) in excess of the Rent and Additional Rent payable by Tenant under this Lease on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any changes, alterations and improvements to the Premises in connection with the Transfer, (ii) any brokerage commissions in connection with the Transfer (iii) any free rent reasonably provided to the Transferee, (iv) any marketing fees in connection with the Transfer, (iv) any key money, bonus money or other cash consideration paid by Tenant to Transferee for furniture, fixtures, equipment and/or similar items; (v) any attorney fees or fees paid to Landlord actually incurred by Tenant in connection with such Transfer; (vi) any lease takeover incurred by Tenant in connection with the Transfer; (vii) out-of-pocket costs of advertising the space subject to the Transfer, and (viii) any improvement allowance or other economic concessions (space planning allowance, moving expenses, etc.) paid by Tenant to Transferee in connection with such

Transfer. "Transfer Premium" shall also include, but not be limited to, key money and bonus money paid by Transferee to Tenant in connection with such Transfer (as opposed to the sale of Tenant's business), and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. The determination of the amount of Landlord's applicable share of the Transfer Premium shall be made on a monthly basis as rent or other consideration is received by Tenant under the Transfer. Notwithstanding anything contained herein to the contrary, under no circumstances shall Landlord be paid any Transfer Premium until Tenant has recovered all applicable Tenant's Subleasing Costs for each applicable Transferred Space, it being understood that if in any year the gross revenues, less the deductions set forth and included in Tenant's Subleasing Costs, are less than any and all costs actually paid in assigning or subletting the affected space (collectively "**Transaction Costs**"), the amount of the excess Transaction Costs shall be carried over to the next year and then deducted from net revenues with the procedure repeated until a Transfer Premium is achieved.

14.4 **Landlord's Option as to Subject Space.** Notwithstanding anything to the contrary contained in this **Article 14**, in the event Tenant contemplates a Transfer of all or a portion of the Premises consisting of forty percent (40%) or more of the then Premises, Tenant shall give Landlord notice (the "**Intention to Transfer Notice**") of such contemplated Transfer (whether or not the contemplated Transferee or the terms of such contemplated Transfer have been determined). The Intention to Transfer Notice shall specify the portion of and amount of rentable square feet of the Premises which Tenant intends to Transfer (the "**Contemplated Transfer Space**"), the contemplated date of commencement of the Contemplated Transfer (the "**Contemplated Effective Date**") and the contemplated length of the term of such contemplated Transfer, and shall specify that such Intention to Transfer Notice is delivered to Landlord pursuant to this **Section 14.4** in order to allow Landlord to elect to recapture the Contemplated Transfer Space for the term set forth in the Intention to Transfer Notice. Thereafter, Landlord shall have the option, by giving written notice (the "**Recapture Notice**") to Tenant within fifteen (15) business days after receipt of any Intention to Transfer Notice, to recapture the Contemplated Transfer Space for the term set forth in the Intention to Transfer Notice. Such recapture shall cancel and terminate this Lease with respect to such Contemplated Transfer Space as of the Contemplated Effective Date until the last day of the term of the contemplated Transfer as set forth in the Intention to Transfer Notice. However, if Landlord delivers a Recapture Notice to Tenant, Tenant may, within five (5) business days after Tenant's receipt of the Recapture Notice, deliver written notice to Landlord indicating that Tenant is rescinding its request for consent to the proposed Transfer, in which case such Transfer shall not be consummated and this Lease shall remain in full force and effect as to the portion of the Premises that was the subject of the Transfer. Tenant's failure to so notify Landlord in writing within said five (5) business day period shall be deemed to constitute Tenant's election to allow the Recapture Notice to be effective. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same; and Landlord shall (a) install, on a commercially reasonable basis, any corridor and/or demising wall, at Landlord's expense, which is required as a result of the termination of the Lease with respect to less than the entire Premises (provided that, in the event of a recapture by Landlord for less than the remainder of the Lease Term, Landlord shall restore the Premises to the condition existing prior to such construction prior to delivering the Contemplated Transfer Space that Landlord recaptured back to Tenant), (b) balance the HVAC on the floor containing the Premises, and (c) perform any electrical or plumbing work necessary to separate the portion of the Premises that is terminated from the remainder of the Premises (provided that, in the event of a recapture by Landlord for less than the remainder of the Term, Landlord shall restore the Premises to the condition existing prior to such construction prior to delivering the Contemplated Transfer Space that Landlord recaptured back to Tenant). If Landlord declines, or fails to elect in a timely manner, to recapture such Contemplated Transfer Space under this **Section 14.4**, then, subject to the other terms of this **Article 14**, for a period of nine (9) months (the "**Nine Month Period**") commencing on the last day of such fifteen (15) business day period, Landlord shall not have any right to recapture the Contemplated Transfer Space with respect to any Transfer made during

the Nine Month Period, provided that any such Transfer is substantially on the terms set forth in the Intention to Transfer Notice, and provided further that any such Transfer shall be subject to the remaining terms of this Article 14. If such a Transfer is not so consummated within the Nine Month Period (or if a Transfer is so consummated, then upon the expiration of the term of any Transfer of such Contemplated Transfer Space consummated within such Nine Month Period), Tenant shall again be required to submit a new Intention to Transfer Notice to Landlord with respect any contemplated Transfer, as provided above in this Section 14.4.

14.5 Effect of Transfer. If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, and (iv) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from liability under this Lease. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency and, if understated by more than four percent (4%), Tenant shall pay Landlord's costs of such audit.

14.6 Additional Transfers. For purposes of this Lease, the term "Transfer" shall also include (i) if Tenant is a partnership or a limited liability company, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more of the partners or members, or transfer of fifty percent (50%) or more of partnership or membership interests, within a twelve (12) month period, or the dissolution of the partnership without immediate reconstitution thereof, and (ii) if Tenant is a closely held corporation (i.e., whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant, (B) the sale or other transfer of more than an aggregate of fifty percent (50%) of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12) month period, or (C) the sale, mortgage, hypothecation or pledge of more than an aggregate of fifty percent (50%) of the value of the unencumbered assets of Tenant within a twelve (12) month period.

14.7 Non-Transfers. Notwithstanding anything to the contrary contained in this Article 14, neither (i) an assignment or subletting of all or a portion of the Premises to (A) an entity which is controlled by, controls or is under common control with Tenant or an Affiliate of Tenant or (B) a purchaser of all or substantially all of the assets or a majority of stock or membership interests of Tenant or of an entity which is controlled by, controls or is under common control with Tenant or an Affiliate of Tenant through a purchase, merger, consolidation or reorganization of Tenant by or with another entity (whether such acquisition takes the form of an asset sale, a stock sale or a combination thereof), nor (ii) transfer, by operation of law or otherwise, in connection with the merger, consolidation or other reorganization of Tenant or of an entity which is controlled by, controls or is under common control with Tenant or an Affiliate of Tenant, shall be subject to Landlord's consent pursuant to this Article 14, the payment of a Transfer Premium, Landlord's recapture right or deemed a Transfer under this Article 14 (hereinafter, such entities, purchasers, and parties shall be referred to collectively or individually as an "**Affiliate**"); provided, however, no sublease or assignment to an Affiliate shall release the Tenant named herein from any liability under this Lease. In addition to the foregoing any sale or transfer of the stock of Tenant's parent company shall not be subject to Landlord's consent pursuant to the Article 14, the payment of a Transfer Premium or Landlord's recapture right. Tenant shall immediately notify Landlord of any such assignment, purchase, transfer, sublease, action or use. For purposes of this Lease, "control" shall mean the ownership of more than fifty percent (50%) of the outstanding equity securities of an entity, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty percent (50%) of the voting interest in any entity. An Affiliate that is an assignee of Original Tenant's entire interest in this Lease may be referred to herein as an "**Affiliate Assignee**."

Notwithstanding anything to the contrary contained in this Article 14, Tenant may, with written notice to Landlord but without Landlord's consent, sublease, license or allow the use of a portion of the Premises to an entity that is (a) funded by Tenant or an Affiliate in connection with Tenant's or the Affiliate's business, or (b) engaged in a business transaction with Tenant or an Affiliate that requires Tenant or the Affiliate to provide office space, provided that the following



conditions are all met: (i) Tenant must certify in writing to Landlord that the party that is subleasing, licensing or otherwise using the space is not paying rent in excess of the rent Tenant is paying under this Lease; (ii) such party and its agents, employees, licensees and invitees must either carry the insurance Tenant is required to carry under this Lease or Tenant's insurance must provide the coverage to such party as though such party were the primary insured under Tenant's insurance policy; (iii) no demising wall shall be installed with respect thereto; and (iv) that portion of the Premises subject to such sublease, license or use shall not exceed ten thousand (10,000) rentable square feet on a cumulative basis.

## ARTICLE 15

### SURRENDER; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 Surrender of Premises. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in a writing signed by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises.

15.2 Removal of Tenant Property by Tenant. Notwithstanding anything to the contrary contained herein, all articles of personal property and all business and trade fixtures, machinery and equipment, furniture and movable partitions owned by Tenant or installed by Tenant at its expense in the Premises, which items are not a part of the Tenant Improvements installed in the Premises, shall remain the property of Tenant, and may be removed by Tenant at any time during the Lease Term. Further, in connection therewith, Landlord agrees to execute any reasonable waivers or lien releases in connection with Tenant's lease of any such articles of personal property and all business and trade fixtures, machinery and equipment, furniture and movable partitions. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this Article 15, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, free-standing cabinet work, moveable partitions and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises and similar articles of any other person claiming under Tenant. In connection with any removal/restoration requirements, Tenant shall repair at its own expense all damage to the Premises and Building resulting from any such removal. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required under any circumstance (including, without limitation, in the event that this Lease terminates prior to the Lease Expiration Date because of a default by Tenant hereunder or in the event Tenant exercises its Second Termination Right in Section 2.2.2 hereof) to remove Tenant's HVAC system and any cabling, wiring or conduit (including any such cabling or wiring associated with the Wi-Fi Network, if any) which may have been placed at the Real Property or within the Building by or on behalf of Tenant; provided, however, upon the expiration or sooner termination of this Lease, Tenant shall, at Tenant's sole cost and expense, be required to remove any non-general office type Tenant Improvements and Alterations (and repair any damage caused by such removal) identified by Landlord in accordance with Section 8.4 above. Landlord and Tenant acknowledge and agree that nothing in this Section 15.2 shall prohibit Tenant from removing any furniture, equipment, free-standing cabinet work and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, at any time throughout the Lease Term (provided that Tenant repairs any damage resulting therefrom).

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Base Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other term, covenant and agreement contained herein. Landlord hereby expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within ten (10) business days following a request in writing by Landlord or Tenant, Tenant or Landlord, as the case may be, shall execute, acknowledge and deliver to the requesting party (the "**Requesting Party**") an estoppel certificate, which, as submitted by the Requesting Party, shall be substantially in the form of Exhibit E attached hereto, as modified appropriately if Tenant is the Requesting Party (or such other commercially reasonable form as may be required by any prospective mortgagee or purchaser of the Project, or any portion thereof, or any assignee), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by the Requesting Party or Landlord's mortgagee or prospective mortgagee or Tenant's Transferee, as the case may be. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project or any buyer, assignee or lender of Tenant. Failure of either Landlord or Tenant to timely execute and deliver such estoppel certificate within an additional five (5) business days following such party's receipt of a notice from the Requesting Party that such estoppel certificate has not been timely executed and returned (within the above referenced ten (10) business day period) shall constitute an acknowledgment by such party that statements included in the estoppel certificate are true and correct, without exception. In addition, Landlord and Tenant shall be liable to the Requesting Party, and shall indemnify the Requesting Party from and against any loss, cost, damage or expense, incidental, consequential, or otherwise, including attorneys' fees, arising or accruing directly or indirectly, from any failure of Landlord or Tenant to execute or deliver to the Requesting Party any such estoppel certificate.

ARTICLE 18

SUBORDINATION

This Lease is subject and subordinate to all present and future ground or underlying leases of the Real Property and to the lien of any mortgages or trust deeds, now or hereafter in force against the Real Property, if any, and to any modifications or replacements thereof, and to all advances made thereunder; provided, however, a condition precedent to the subordination of this Lease to be subordinated to any particular future ground or underlying lease of the Building or the Project or to the lien of any mortgage or trust deed, first encumbering the Building or the Project following the date of this Lease and to any renewals, extensions, modifications, consolidations and replacements thereof, is that Landlord shall obtain for the benefit of Tenant a commercially reasonable subordination, non-disturbance and attornment agreement from the lessor or lender of such future instrument. Such commercially reasonable non-disturbance agreement(s), shall include the obligation of any such ground lessor, mortgage holder or deed of trust holder to recognize Tenant's rights specifically set forth in this Lease to offset certain amounts against Rent due hereunder and Landlord's obligations to comply with the provisions of

this Lease, or to otherwise receive certain credits against Rent as expressly set forth herein. The holders of such mortgages or trust deeds, or the lessors under such ground lease or underlying leases, may also elect in writing that this Lease be superior thereto, and such election will be binding upon Tenant. Subject to Tenant's receipt of the non-disturbance agreement(s) described above, Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so reasonably requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Tenant's occupancy, so long as Tenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Tenant within all applicable notice and cure periods. Tenant covenants and agrees to execute and deliver, within ten (10) business days of request and without charge therefor, such further commercially reasonable instruments as may be reasonably requested to evidence the subordination or superiority of this Lease to the lien of any such ground leases, mortgages or deeds of trust as referenced herein. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale. Tenant hereby acknowledges that as of the date on which Landlord and Tenant execute this Lease there is a deed of trust encumbering, and in force against, the Real Property in favor of Prudential Real Estate Investors ("Current Lender"). Simultaneously with Tenant's execution of this Lease, Tenant shall sign, notarize and deliver a subordination, non-disturbance and attornment agreement substantially in the form of Exhibit H attached hereto, which agreement shall thereafter be executed by Tenant, Current Lender and Landlord and then recorded against the Real Property.

## ARTICLE 19

### TENANT'S DEFAULTS; LANDLORD'S REMEDIES

19.1 Events of Default by Tenant. The occurrence of any of the following shall constitute a default of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within five (5) business days after Tenant's receipt of notice that said amounts are past due; or

19.1.2 Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 or any similar or successor law; and provided further that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default.

19.2 Landlord's Remedies Upon Default. Upon the occurrence of any such default by Tenant after the expiration of any applicable notice and cure period, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and, subject to the express terms hereof, nonexclusive, without any notice or demand whatsoever (except as expressly set forth herein).

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

- (i) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, as allowed under Applicable Laws; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "Rent" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the Interest Rate set forth in Section 4.5 of this Lease. As used in Section 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 In the event this Lease has not been terminated, Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1.2, above, unless a specific time period is otherwise stated in this Lease, and such failure to perform poses a material risk of injury or harm to persons or damage to or loss of property, Landlord may, but shall not be obligated to, make any such payment or perform or otherwise cure any such obligation, provision, covenant or condition on Tenant's part to be observed or performed (and may enter the Premises for such purposes). In the event of Tenant's failure to perform any of its obligations or covenants under this Lease, and such failure to perform poses a material risk of injury or harm to persons or damage to or loss of property, then Landlord shall have the right to cure or otherwise perform such covenant or obligation at any time after such failure to perform by Tenant, whether or not any such notice or cure period set forth in Section 19.1 above has expired. Any such actions undertaken by Landlord pursuant to the foregoing provisions of this Section 19.2.3 shall not be deemed a waiver of Landlord's rights and remedies as a result of Tenant's failure to perform and shall not release Tenant from any of its obligations under this Lease. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, as Additional Rent, within thirty (30) days after delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with Landlord's performance or cure of any of Tenant's obligations pursuant to the provisions of Section 19.2.3 above; and (ii) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including, without limitation, all legal fees and other amounts so expended. Tenant's obligations under this Section 19.2.3 shall survive the expiration or sooner termination of the Lease Term.

#### 19.3 Intentionally Omitted.

19.4 Sublessees of Tenant. If Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.5 Waiver of Default. No waiver by Landlord or Tenant of any violation or breach by the other party of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other or later violation or breach by such party of the same or any other of the terms, provisions, and covenants herein contained. Forbearance by Landlord or Tenant in enforcement of one or more of the remedies herein provided upon a default by the other party shall not be deemed or construed to constitute a waiver of such default. The acceptance of any Rent hereunder by Landlord following the occurrence of any default, whether or not known to Landlord, shall not be deemed a waiver of any such default, except only a default in the payment of the Rent so accepted.

19.6 Efforts to Relet. For the purposes of this Article 19, Tenant's right to possession shall not be deemed to have been terminated by efforts of Landlord to relet the Premises, by its acts of maintenance or preservation with respect to the Premises, or by appointment of a receiver to protect Landlord's interests hereunder. The foregoing enumeration is not exhaustive, but merely illustrative of acts which may be performed by Landlord without terminating Tenant's right to possession.

19.7 Default by Landlord. Landlord shall not be deemed to be in default in the performance of any obligation required by it under this Lease, or under any agreement executed in connection herewith, unless and until it has failed to perform such obligation within thirty (30) days after receipt of written notice by Tenant to Landlord, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. Nothing in this Article 19 shall be interpreted to mean that Tenant shall have the right to terminate this Lease or that Tenant is excused from paying any Rent due hereunder.

## ARTICLE 20

### SECURITY DEPOSIT

Concurrent with Tenant's execution of this Lease, Tenant shall deposit with Landlord a security deposit (the "**Security Deposit**") in the amount set forth in Section 10 of the Summary. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the Lease Term. If Tenant defaults with respect to any provisions of this Lease (beyond all applicable notice and cure periods), including, but not limited to, the provisions relating to the payment of Rent, Landlord may, but shall not be required to, use, apply or retain all or any part of the Security Deposit for the payment of any Rent or any other sum in default, or for the payment of any amount that Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage that Landlord may suffer by reason of Tenant's default. If any portion of the Security Deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount, and Tenant's failure to do so shall be a default under this Lease. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit, or any balance thereof, shall be returned to Tenant, or, at Landlord's option, to the last assignee of Tenant's interest hereunder, within sixty (60) days following the expiration of the Lease Term. Tenant shall not be entitled to any interest on the Security Deposit. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, and all other provisions of law, now or hereafter in force, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. Notwithstanding the foregoing contained in this Article 20, so long as Tenant is not then in default hereunder (the "**Reduction Condition**"), the original amount of the Security Deposit shall be applied to Base

Rent coming due under this Lease on the first (1st) day of the thirty-seventh (37th) month of the initial Lease Term. It is understood and agreed that, if the original amount of the Security Deposit is applied as set forth above, there shall be no further reduction or application of any remaining portion (if any) of the Security Deposit for the remainder of the Lease Term.

## **ARTICLE 21**

### **COMPLIANCE WITH LAW**

Tenant shall not do anything or suffer anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated (collectively, "**Applicable Laws**"). At its sole cost and expense, Tenant shall promptly comply with all such Applicable Laws to the extent they relate to (i) Tenant's use of the Premises for other than general office purposes, (ii) the Alterations, or improvements in the Premises, or (iii) the base building, but, as to the base building, only to the extent such obligations are triggered by Tenant's Alterations, or the Tenant Improvements or use of the Premises for non-general office use. In addition, Tenant shall fully comply with all present or future governmentally mandated programs intended to manage parking, transportation or traffic in and around the Real Property, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities. The judgment of any court or competent jurisdiction or the admission of Tenant or Landlord in any judicial action, regardless of whether the other party to this Lease is a party thereto, that Tenant or Landlord, respectively, has violated any said governmental measures, shall be conclusive of that fact as between Landlord and Tenant. Landlord shall comply with all Applicable Laws relating to the base building, provided that compliance with such Applicable Laws is not the responsibility of Tenant under this Lease (including the terms of this Article 21), and provided further that Landlord's failure to comply therewith would prohibit Tenant from obtaining or maintaining a certificate of occupancy for the Premises, or would unreasonably and materially affect the safety of Tenant's employees or create a significant health hazard for Tenant's employees or otherwise materially interfere with Tenant's Permitted Use and enjoyment of the Premises and the Parking Facilities.

## **ARTICLE 22**

### **ENTRY BY LANDLORD**

Landlord reserves the right at all reasonable times and upon not less than forty-eight (48) hours prior written notice to Tenant (except in the case of an emergency, in which case prior notice shall not be required) to enter the Premises to: (i) inspect them; (ii) show the Premises to prospective purchasers, mortgagees or tenants (for tenants, only during the last six (6) months of the Lease Term), or to the ground or underlying lessors; (iii) to post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building if necessary to comply with current building codes or other Applicable Laws, or for structural alterations, repairs or improvements to the Building. Notwithstanding anything to the contrary contained in this Article 22, Landlord may enter the Premises at any time, without notice to Tenant, (A) in emergency situations and/or (B) to perform janitorial or other recurring services required of Landlord pursuant to this Lease. Any such entries shall be without the abatement of Rent, except as otherwise provided in this Lease, and shall include the right to take such reasonable steps as required to accomplish the stated purposes; provided, however, except for emergencies, Landlord shall use commercially reasonable efforts to perform any such entry in an expeditious manner so as to minimize interference with Tenant's use of the Premises. Landlord shall use commercially reasonable efforts to schedule entries into the Premises under this Article 22 with Tenant (except entries under items (A) and (B) set forth above, and/or in the event of emergency) so that Tenant, at Tenant's option, may provide a representative to accompany Landlord (but Landlord shall not have any obligation to wait for such Tenant representative to the extent the same is not reasonably available). Even in an emergency situation, Landlord shall use commercially reasonable efforts to minimize disruption to Tenant's business operations. Except as otherwise provided in the Lease, Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the

Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In an emergency, Landlord shall have the right to enter without notice and use any means that Landlord may deem proper to open the doors in and to the Premises; provided, however, that Landlord shall, subject to Section 10.1 of this Lease and to the extent that such damage is not covered by insurance required to be carried by Tenant under this Lease or caused by any governmental agencies, repair any damage to the Premises caused by any such emergency entry into the Premises by Landlord. Any entry into the Premises in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. In addition, notwithstanding anything to the contrary set forth in this Article 22, Tenant may designate certain areas of the Premises as "**Secured Areas**" should Tenant require such areas for the purpose of securing certain valuable property. In connection with the foregoing, Landlord shall not enter such Secured Areas except in the event of an emergency. Landlord need not clean any area designated by Tenant as a Secured Area and shall only maintain or repair such Secured Area to the extent (i) such repair or maintenance is required in order to maintain and repair the Building; (ii) required by Applicable Laws, or (iii) in response to specific requests by Tenant and in accordance with a schedule reasonably designated by Tenant, subject to Landlords' reasonable approval.

## ARTICLE 23

### TENANT PARKING

23.1 Tenant Parking Passes. Tenant shall purchase throughout the Lease Term the number of monthly Must-Take Parking Passes set forth in Section 11 of the Summary, located in those portions of the Parking Facilities as may be designated by Landlord from time to time. In addition, Tenant shall have the right, from time to time, but not the obligation, to rent from Landlord, commencing on the Lease Commencement Date, up to the amount of Optional Parking Passes set forth in Section 11 of the Summary, on a monthly basis throughout the Lease Term, located in those portions of the Parking Facilities as may be designated by Landlord from time to time; provided, however, Tenant may increase or decrease the number of Optional Parking Passes rented by Tenant upon not less than thirty (30) days written notice to Landlord. Tenant shall pay to Landlord for the use of all such parking passes (but only including those Optional Parking Passes that Tenant has elected to take, from time to time, as provided above), on a monthly basis, the prevailing rate charged from time to time by Landlord or Landlord's parking operator for parking passes in the Parking Facilities where such parking passes are located. As of the date hereof, the prevailing rate for reserved parking passes is One Hundred Ten Dollars (\$110.00) per reserved parking pass per month and the prevailing rate for unreserved parking passes is Seventy-Five Dollars (\$75.00) per unreserved parking pass per month; provided, however, that during the first thirty-three (33) months of the initial Lease Term, Tenant shall receive a discount of Fifty Dollars (\$50.00) for each unreserved parking pass and Seventy Dollars (\$70.00) for each reserved parking pass (the "**Parking Discount**"), with Landlord's then prevailing rate for reserved and unreserved parking passes to be reduced by the applicable Parking Discount during such thirty-three (33) month period; provided further, however, by notice to Tenant, Landlord shall have the right to purchase the value of Parking Discount from Tenant for an amount equal to the present value of the Parking Discount, discounted by eight and one-half percent (8.5%) per annum. In such event, the Parking Discount shall no longer be available to Tenant.

23.2 Parking Procedures. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all reasonable, non-discriminatory rules and regulations which are prescribed from time to time for the orderly operation and use of the Parking Facilities and upon Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations. In addition, Landlord may assign any parking spaces and/or make all or a portion of such spaces reserved or institute an attendant-assisted tandem parking program and/or valet parking program if Landlord determines in its sole discretion that such is necessary or desirable for orderly and efficient parking. Landlord specifically reserves the right, from time to time, to change the size, configuration, design, layout, location and all other aspects of the Parking Facilities (provided that Tenant's parking rights are not reduced or materially changed as a result thereof and so long as Tenant's obligations are not materially or unreasonably increased as a result thereof and such change(s) do not create a material safety risk for Tenant), and Tenant acknowledges and agrees that Landlord, from time to time, may, without incurring any liability to Tenant and without any abatement of Rent under this Lease (except as provided in Section 6.5

of this Lease), from time to time, close-off or restrict access to the Parking Facilities, or temporarily relocate Tenant's parking spaces to other parking structures and/or surface parking areas within a reasonable distance from the Parking Facilities, for purposes of permitting or facilitating any such construction, alteration or improvements or to accommodate or facilitate renovation, alteration, construction or other modification of other improvements or structures located on the Real Property, provided that any such closures, restrictions or relocations are required by Applicable Laws or are reasonably necessary on a temporary basis or otherwise do not materially adversely affect Tenant's rights under this Lease. Landlord shall use commercially reasonable efforts to cause any such work to be conducted in a manner which minimizes any inconvenience to the Tenant Parties and to provide alternative parking (if necessary), at no additional cost to Tenant. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to Landlord. The parking rates charged by Landlord for Tenant's parking passes shall be exclusive of any parking tax or other charges imposed by governmental authorities in connection with the use of such parking, which taxes and/or charges shall be paid directly by Tenant or the parking users, or, if directly imposed against Landlord, Tenant shall reimburse Landlord for all such taxes and/or charges within thirty (30) days after Tenant's receipt of the invoice from Landlord. The parking passes provided to Tenant pursuant to this Article 23 are provided solely for use by Tenant's own personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval, except on a pro rata basis in connection with an assignment or subletting of the Premises permitted or approved in accordance with the terms of Article 14 of this Lease. Tenant may validate visitor parking by such method or methods as the Landlord may reasonably establish, at the validation rate from time to time generally applicable to visitor parking.

23.3 Reserved Parking Rights. Tenant shall also have the right to convert up to ten percent (10%) of its Must Take Parking Passes and Optional Parking Passes into Reserved Parking Passes upon not less than thirty (30) days written notice to Landlord; provided, however, Tenant may, from time to time, reconvert Reserved Parking Passes into Must Take Parking Passes and Optional Parking Passes upon not less than thirty (30) days written notice to Landlord. Reserved parking spaces rented by Tenant shall be (i) for single, non-tandem spaces where Tenant can park and retain the keys to the vehicle, and (ii) identified with a Building standard reserved parking sign. Notwithstanding anything above to the contrary, Landlord shall have the right to designate the location of Tenant's reserved parking spaces (attributable to Tenant's Reserved Parking Passes) in the Parking Facilities and Landlord shall also have the right to relocate all or any portion of the same from time to time during the Lease Term. All costs incurred by Landlord to designate any of Tenant's reserved parking spaces and/or to designate any reserved parking area shall be at Tenant's sole cost and expense.

## ARTICLE 24

### MISCELLANEOUS PROVISIONS

24.1 Terms; Captions. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

24.2 Binding Effect. Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.

24.3 No Waiver. No waiver of any provision of this Lease shall be implied by any failure of a party to enforce any remedy on account of the violation of such provision, even if such violation shall continue or be repeated subsequently, any waiver by a party of any provision of this Lease may only be in writing, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice



given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment. Tenant's payment of any Rent hereunder shall not constitute a waiver by Tenant of any breach or default by Landlord under this Lease nor shall Landlord's payment of monies due Tenant hereunder constitute a waiver by Landlord of any breach or default by Tenant under this Lease.

24.4 Modification of Lease. Should any current or prospective mortgagee or ground lessor for the Real Property require a modification or modifications of this Lease, which modification or modifications will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever commercially reasonable documents are required therefor and deliver the same to Landlord within ten (10) business days following the request therefor. Landlord shall reimburse to Tenant the actual, documented and reasonable attorneys' fees incurred by Tenant in reviewing such documents, not to exceed Two Thousand Dollars (\$2,000.00). Should Landlord or any such current or prospective mortgagee or ground lessor require execution of a short form of Lease for recording, containing, among other customary provisions, the names of the parties, a description of the Premises and the Lease Term, Tenant agrees to execute such short form of Lease and to deliver the same to Landlord within ten (10) business days following the request therefor, the recordation of which shall be at the sole cost and expense of Landlord.

24.5 Transfer of Landlord's Interest. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Real Property, the Building and/or in this Lease, and Tenant agrees that in the event of any such transfer (to the extent such obligations are assumed by the transferee), Landlord shall automatically be released from all liability under this Lease not accrued as of the date of the transfer and Tenant agrees to look solely to such transferee for the performance of Landlord's obligations hereunder after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this Lease to be performed by Landlord and Tenant shall attach to such transferee. Without limiting the generality of the foregoing, it is acknowledged and agreed that the liability of Landlord under this Lease is limited to its actual period of ownership of title to the Building. The liability of any transferee of Landlord shall be limited to the interest of such transferee in the Real Property or Building (including all rental, insurance and condemnation proceeds therefrom); provided, any such transferee shall be obligated to comply with all of Landlord's obligations under the Work Letter including, without limitation, payment of the Tenant Improvement Allowance. Tenant further acknowledges that Landlord may assign its interest in this Lease to a mortgage lender as additional security and agrees that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

24.6 Prohibition Against Recording. Except as provided in Section 24.4 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant.

24.7 Landlord's Title; Air Rights. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease; provided, however, Landlord shall be prohibited from placing any so-called "super graphic" signs on the exterior of the Building.

#### 24.8 Tenant's Signs.

24.8.1 Interior Signs. Provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Premises comprise an entire floor of the Building, at its sole cost and expense, may install identification signage anywhere in the Premises including in the elevator lobby of the Premises, provided that such signs must not be visible from the exterior of the Building, and only Tenant signs visible from the exterior of the Building shall be subject to Landlord's approval (which approval shall not be unreasonably withheld). If other tenants occupy space on the floor on which the Premises is located, Tenant shall be entitled, at its sole cost and expense, to (i) one (1) identification sign on or near the entry

doors of the Premises, and (ii) one (1) identification or directional sign, as reasonably designated by Landlord, in the elevator lobby on the floor on which the Premises are located. Any such signs on a multi-tenant floor shall be installed by a signage contractor reasonably designated by Landlord. The location, quality, design, style, lighting and size of such signs on a multi-tenant floor shall be consistent with the Landlord's Building standard signage program and shall be subject to Landlord's prior written approval, in its reasonable discretion. Upon the expiration or earlier termination of this Lease, Tenant shall be responsible, at its sole cost and expense, for the removal of such signage and the repair of all damage to the Building caused by such removal. Except for such identification signs, Tenant may not install any signs on the exterior or roof of the Building or the Common Areas. Any signs, window coverings, or blinds (even if the same are located behind the Landlord approved window coverings for the Building), or other items visible from the exterior of the Building are subject to the prior approval of Landlord, in its reasonable discretion.

24.8.2 Monument Signage. Tenant shall have the non-exclusive right, subject to the approval from all applicable governmental and quasi-governmental entities, and subject to all applicable governmental and quasi-governmental laws, rules, regulations and codes, to install one (1) sign ("**Tenant's Name Sign**") containing the name "LegalZoom" on one (1) side on the top position on the monument sign serving the Building (the "**Monument Sign**"). The design, size, specifications, graphics, materials, manner of affixing, exact location, colors and lighting (if applicable) of Tenant's Name Sign shall be (i) consistent with the quality and appearance of the Project, (ii) subject to the approval of all applicable governmental and quasi-governmental authorities, and subject to all applicable governmental and quasi-governmental laws, rules, regulations and codes, and (iii) subject to Landlord's approval (which shall not be unreasonably withheld, conditioned or delayed). Landlord shall install Tenant's Name Sign on the Monument Sign at Tenant's sole cost and expense. In addition, Tenant shall be responsible for all other costs attributable to the fabrication maintenance, repair and removal of Tenant's Name Sign. The Name Sign right granted to Tenant under this Section 24.8.2 are personal to the Original Tenant and any Affiliate Assignee and may not be exercised or used by or assigned to any other person or entity. In addition, Original Tenant or such Affiliate Assignee shall no longer have any right to Tenant's Name Sign if at any time during the Term the Original Tenant or Affiliate Assignee does not lease and occupy at least one (1) entire floor of the Premises then leased by Tenant hereunder. Upon the expiration or sooner termination of this Lease, or upon the earlier termination of Tenant's signage rights under this Section 24.8.2, Landlord shall have the right to permanently remove Tenant's Name Sign and to repair all damage to the Monument Sign resulting from such removal and Tenant shall reimburse Landlord for the actual, reasonable, out-of-pocket costs thereof.

24.9 Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant, it being expressly understood and agreed that neither the method of computation of Rent nor any act of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

24.10 Application of Payments. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

24.11 Time of Essence. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Whenever in this Lease a payment is required to be made by one party to the other, but a specific date for payment is not set forth or a specific number of days within which payment is to be made is not set forth, or the words "immediately", "promptly", and/or "on demand", or their equivalent, are used to specify when such payment is due, then such payment shall be due thirty (30) days after the date that the party which is entitled to such payment sends notice to the other party demanding such payment.

24.12 Partial Invalidity. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

24.13 No Warranty. In executing and delivering this Lease, Tenant has not relied on any representation, including, but not limited to, any representation whatsoever as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the Exhibits attached hereto.

24.14 Landlord Exculpation. It is expressly understood and agreed that notwithstanding anything in this Lease to the contrary, and notwithstanding any Applicable Law to the contrary, the liability of Landlord and the Landlord Parties hereunder (including any successor landlord) and any recourse by Tenant against Landlord or the Landlord Parties shall be limited solely and exclusively to an amount which is equal to the ownership interest of Landlord in the Building (together with any rental, condemnation or insurance proceeds received by Landlord or the Landlord Parties in connection with the Project, Building or Premises), and neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant.

24.15 Entire Agreement. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. This Lease and any side letter or separate agreement executed by Landlord and Tenant in connection with this Lease and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, and none of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. There are no other representations or warranties between the parties, and all reliance with respect to representations is based totally upon the representations and agreements contained in this Lease.

24.16 Right to Lease. Landlord reserves the absolute right to effect such other tenancies in the Building or other portions of the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Real Property, so long as those tenancies within the Building are consistent with a first-class office building. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Real Property.

24.17 Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease and except with respect to Landlord's monetary obligations to Tenant (collectively, the "**Force Majeure**"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

24.18 Intentionally Omitted.

24.19 Notices. All notices, demands, statements or communications (collectively, "**Notices**") given or required to be given by either party to the other hereunder shall be in writing, shall be sent by United States certified or registered mail, postage prepaid, return receipt requested, delivered by reputable overnight courier service, or delivered personally (i) to Tenant at the appropriate address set forth in Section 5 of the Summary, or to such other

place as Tenant may from time to time designate in a Notice to Landlord; or (ii) to Landlord at the addresses set forth in Section 3 of the Summary, or to such other firm or to such other place as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given (a) if by personal delivery, on the date it is personally delivered or such personal delivery is rejected, (b) if by certified or registered mail, the date set forth on the receipt for such certified or registered mail for delivery or rejection, or (c) if by overnight courier service, the date the overnight courier delivery is made or attempted to be made. If Tenant is notified of the identity and address of Landlord's mortgagee or ground or underlying lessor, Tenant shall give to such mortgagee or ground or underlying lessor written notice of any default by Landlord under the terms of this Lease by registered or certified mail, and such mortgagee or ground or underlying lessor shall be given a reasonable opportunity to cure such default prior to Tenant's exercising any remedy available to Tenant to terminate this Lease.

24.22 Joint and Several. If there is more than one Tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

24.21 Authority. If Tenant is a corporation, trust or partnership, Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so. In such event, Tenant shall, within ten (10) business days after Landlord's written request, deliver to Landlord satisfactory evidence of such authority and, if a corporation, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of incorporation and (ii) qualification to do business in California

24.22 Jury Trial; Attorneys' Fees. IF EITHER PARTY COMMENCES LITIGATION AGAINST THE OTHER FOR THE SPECIFIC PERFORMANCE OF THIS LEASE, FOR DAMAGES FOR THE BREACH HEREOF OR OTHERWISE FOR ENFORCEMENT OF ANY REMEDY HEREUNDER, THE PARTIES HERETO AGREE TO AND HEREBY DO WAIVE ANY RIGHT TO A TRIAL BY JURY. In the event of any such commencement of litigation or any other proceeding, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.

24.23 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California without regard to choice of law principles.

24.24 Submission of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant, and Landlord's lender holding a lien with respect to the Building has approved this Lease and the terms and conditions hereof.

24.25 Brokers. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in Section 12 of the Summary (the "**Brokers**"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Landlord shall pay the brokerage commissions owing to the Brokers in connection with this Lease, pursuant to the terms of a separate written agreement between Landlord and the Brokers. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers.

24.26 Independent Covenants. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not, except as expressly provided in this Lease, be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord, except as otherwise provided herein; provided, however, that the foregoing shall in no way impair the right of Tenant

to commence a separate action against Landlord for any violation by Landlord of the provisions hereof so long as notice is first given to Landlord and any holder of a mortgage or deed of trust covering the Building, Real Property or any portion thereof, of whose address Tenant has theretofore been notified, and an opportunity is granted to Landlord and such holder to correct such violations as provided above.

24.27 Building Name and Signage. Landlord shall have the right at any time to change the name of the Building and Real Property and to install, affix and maintain any and all signs on the exterior and on the interior of the Building and any portion of the Real Property as Landlord may, in Landlord's sole discretion, desire. Tenant shall not use the names of the Buildings or Real Property or use pictures or illustrations of the Building or Real Property in advertising or other publicity, without the prior written consent of Landlord.

24.28 Building Directory. At Landlord's initial cost, Landlord shall include Tenant's name and location in the Building on one (1) line on the Building directory; provided, however, that any Landlord approved changes to such signage shall be at Tenant's sole cost and expense. Landlord acknowledges and agrees that all such identifying entries on the Building directory shall not be personal to the Original Tenant and shall be provided by Landlord, subject to the terms hereof, to any Transferee of Tenant permitted under Article 14 of this Lease.

24.29 Confidentiality. Landlord and Tenant acknowledge that the content of this Lease and any related documents are confidential information. Landlord and Tenant shall keep such confidential information strictly confidential and, except as required by a subpoena or to comply with Applicable Laws, shall not disclose such confidential information to any person or entity other than Landlord's and Tenant's respective financial, legal, and space planning consultants, assignees and purchasers, and any Transferee.

24.30 Landlord's Construction. It is specifically understood and agreed that Landlord has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, Building, Real Property, or any part thereof and that no representations or warranties respecting the condition of the Premises, the Building or the Real Property have been made by Landlord to Tenant, except as specifically set forth in this Lease and the Work Letter. However, Tenant acknowledges that Landlord may from time to time, at Landlord's sole option, renovate, improve, alter, or modify (collectively, the "**Renovations**") the Building and/or Real Property (other than the Premises), including without limitation the Building Parking Facilities, Common Areas, systems and equipment, roof, and structural portions of the same, which Renovations may include, without limitation, (i) modifying the Common Areas and tenant spaces to comply with Applicable Laws and regulations, including regulations relating to the physically disabled, seismic conditions, and building safety and security, and (ii) installing new carpeting, lighting, and wall coverings in the Building Common Areas, and in connection with such Renovations, Landlord may, among other things, erect scaffolding or other necessary structures in the Building, limit or eliminate access to portions of the Real Property, including portions of the Common Areas, or perform work in the Building and/or Real Property, which work may create noise, dust or leave debris in the Building and/or Real Property. Tenant hereby agrees that such Renovations and Landlord's actions in connection with such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent, except as otherwise provided herein. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises (except as otherwise provided herein) or of Tenant's personal property or improvements resulting from the Renovations or Landlord's actions in connection with such Renovations, or for any inconvenience or annoyance occasioned by such Renovations or Landlord's actions in connection with such Renovations; provided, however, Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use of, and access to, the Premises and the Parking Facilities servicing the same, in connection with any Renovations undertaken by Landlord.

24.31 Intentionally Omitted.

24.32 Failure to Fund Landlord Obligations. If Landlord fails to (i) timely fund any amount due to Tenant under this Lease, including, without limitation, any monthly payment of the Tenant Improvement Allowance within the time periods set forth in the Work Letter, or (ii) pay the brokerage commission payable by Landlord with respect to this Lease in accordance with the terms and conditions of a separate written brokerage agreement executed by Landlord, Tenant shall be entitled to deliver to Landlord written notice (“**Payment Notice**”) of such failure to pay. Each Payment Notice shall include a reasonably particularized breakdown of all the amounts Tenant contends are owed. If Landlord objects to any amounts set forth in a Payment Notice, Landlord shall identify the specific line items it objects to and shall provide the reasonable basis for such objection(s). If Landlord fails to fulfill any such payment obligation within five (5) business days after Landlord’s receipt of the Payment Notice from Tenant and if Landlord fails to deliver written notice to Tenant within such five (5) business day period explaining Landlord’s reasons that any amounts described in Tenant’s Payment Notice are not due and payable by Landlord (“**Refusal Notice**”), Tenant shall be entitled to fund the entire amount which is the subject of the Payment Notice (or, if Landlord timely sent a Refusal Notice, only those amounts to which Landlord did not object) itself and to offset such amount(s), together with interest at the Interest Rate from the last day of such 5-business day period until the actual date of offset, against Tenant’s obligations to pay Rent. If Landlord delivers a Refusal Notice, and if Landlord and Tenant are not able to agree on the amounts to be so paid by Landlord, if any, within ten (10) business days after Tenant’s receipt of a Refusal Notice, Landlord or Tenant may elect to have such dispute resolved by expedited binding arbitration before a retired judge of the Superior Court of the State of California under the auspices of JAMS (or any successor to such organization, or if there is no such successor, then to a comparable organization mutually agreed upon by Landlord and Tenant) in Los Angeles, California, according to the then rules of commercial arbitration of such organization. JAMS shall be instructed to complete the arbitration within ten (10) business days. If such dispute is so submitted to arbitration, Tenant shall not be permitted any such offset against Base Rent unless and until the arbitration proceedings are concluded in Tenant’s favor and Landlord fails to pay to Tenant the amounts paid by Tenant which the arbitration panel determined shall have been disbursed by Landlord. If the dispute is resolved in favor of Tenant in such arbitration proceeding and Landlord fails to pay to Tenant the amounts paid by Tenant (which the arbitration panel determined should have been paid by Landlord) within thirty (30) days of the arbitration panel’s notice of decision, then Tenant shall be entitled to offset against the Rent payable under the Lease such undisbursed amount so paid by Tenant and which the arbitration panel determined should have been disbursed by Landlord, together with interest thereon, at the Interest Rate, from the date Landlord was obligated to pay such amount (based upon the date Tenant first accurately notified Landlord that such amount should have been paid to Tenant) through and including the earlier of (1) the date Landlord reimburses Tenant for such amount, and (2) the date that Tenant deducts from Rent such amount.

24.33 Good Faith. Except (i) for matters for which there is a standard of consent or discretion specifically set forth in this Lease; (ii) matters which could have an adverse effect on the Building structure or the Building Systems, or which could affect the exterior appearance of the Building, or (iii) matters covered by Article 4 (Additional Rent), Article 10 (Insurance), or Article 19 (Defaults; Remedies) of this Lease (collectively, the “**Excepted Matters**”), any time the consent of Landlord or Tenant is required under this Lease (including, without limitation, the exhibits attached to the Lease), such consent shall not be unreasonably withheld or delayed, and, except with regard to the Excepted Matters, whenever this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish Rules and Regulations or make an allocation or other determination, Landlord and Tenant shall act reasonably and in good faith.

24.34 Survival of Provisions Upon Termination of Lease. Any term, covenant or condition of this Lease which requires the performance of obligations or forbearance of an act by either party hereto after the termination of this Lease shall survive such termination of this Lease. Such survival shall be to the extent reasonably necessary to fulfill the intent thereof, or if specified, to the extent of such specification, as same is reasonably necessary to perform the obligations and/or forbearance of an act set forth in such term, covenant or condition. Notwithstanding the foregoing in the event a specific term, covenant or condition is expressly provided for in such a clear fashion as to indicate that such performance of an obligation or forbearance of an act is no longer required, then the specific shall govern over this general provision of this Lease.

24.35 Financial Statements. In connection with a proposed refinancing or sale of the Building and provided that Tenant's financial statements are not publicly available, Landlord may request that Tenant provide Landlord, no more than once per twelve (12) month period and within ten (10) business days of a request therefor, with a current financial statement for Tenant dated no earlier than one (1) year prior to such request, certified as accurate by Tenant. Such statement shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant; provided, however, any such statement shall be provided only to the extent it exists, in the form that it exists and its delivery shall be conditioned upon Landlord (and any proposed lender or purchaser to which such statement will be delivered) executing and delivering to Tenant a commercially reasonable confidentiality agreement prior to any disclosure of such financial statement or information; provided, further, Tenant shall not have to disclose any statement or information whose disclosure is prohibited by Applicable Laws to which Tenant is subject (as reasonably determined by Tenant).

[SIGNATURES APPEAR ON NEXT PAGE]

“Landlord”:

LEGACY PARTNERS II GLENDALE N BRAND, LLC,  
a Delaware limited liability company,  
Owner

By: LEGACY PARTNERS COMMERCIAL, L.P.,  
a California limited partnership,  
as Property Manager and Agent for Owner

By: LEGACY PARTNERS COMMERCIAL, INC.,  
General Partner

By: /s/ Paul Myer

Paul Myer

Its: Chief Financial Officer  
BL DRE #01464134

“Tenant”:

LEGALZOOM.COM, INC., a Delaware corporation

By: /s/ Frank Monestere

Name: Frank Monestere

Its: President, COO

By: /s/ Chas Rampenthal

Name: Chas Rampenthal

Its: Secretary

\*\*\* If Tenant is a CORPORATION, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The Lease must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease.



**EXHIBIT A**

**OUTLINE OF FLOOR PLAN OF PREMISES**

EXHIBIT A-1

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EXHIBIT A-1

FIRST TERMINATED SPACE

EXHIBIT A-1

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**EXHIBIT B**

**WORK LETTER**

This Work Letter (“**Work Letter**”) shall set forth the terms and conditions relating to the construction of the Premises. All references in this Work Letter to the “Lease” shall mean the relevant portions of the Lease to which this Work Letter is attached as Exhibit B.

**SECTION 1**

**AS-IS CONDITION**

Except as set forth in this Section 1 below, Tenant hereby accepts the base, shell and core (i) of the Premises and (ii) of the floor(s) of the Building on which the Premises are located (collectively, the “**Base, Shell and Core**”), in its current “AS-IS” condition existing as of the date of the Lease and the Lease Commencement Date. Except as set forth in this Section 1 below and except for the Tenant Improvement Allowance set forth below, Landlord shall not be obligated to make or pay for any alterations or improvements to the Premises, the Building, the Project or the Real Property. Tenant’s Architect has identified that a toilet stall in the eleventh (11<sup>th</sup>) floor women’s restroom of the Building (“**Potential ADA Violation**”) is not in compliance with the Americans with Disabilities Act of 1990 in effect as of the date of the Lease (“**ADA**”). Landlord believes that such Potential ADA Violation is not required to be remedied at this time as such Potential ADA Violation has “grandfather” status. If and when such Potential ADA Violation loses its grandfathered status and is required to be remedied by the City of Glendale, then Landlord shall be responsible, at its sole cost and expense (and not as a cost to be deducted from the Tenant Improvement Allowance) for promptly correcting such Potential ADA Violation; provided, however, in the event the correction of such Potential ADA Violation is triggered by the Tenant Improvements, or other alterations or improvements to be constructed or installed by or on behalf of Tenant, then Tenant shall be responsible for the costs to correct such Potential ADA Violation.

**SECTION 2**

**TENANT IMPROVEMENTS**

2.1 Tenant Improvement Allowance. Tenant shall be entitled to a one-time tenant improvement allowance (the “**Tenant Improvement Allowance**”) in the amount of up to, but not exceeding Fifty-Five and No/100 Dollars (\$55.00) per rentable square foot of the Premises (i.e., up to Two Million Six Hundred Ninety-Five Thousand Four Hundred Forty and No/100 Dollars (\$2,695,440.00) based on 49,008 rentable square feet of the Premises) (but subject to increase pursuant to Section 3.2 of the Lease), for the costs relating to the initial design and construction of Tenant’s improvements which are permanently affixed to the Premises (the “**Tenant Improvements**”), the other items permitted under Section 2.2.1, below, and the FF&E Moving Costs (as defined below); provided, however, that Landlord shall have no obligation to disburse all or any portion of the Tenant Improvement Allowance to Tenant unless Tenant makes a request for disbursement pursuant to the terms and conditions of Section 2.2 below prior to that date which is nine (9) months after the Lease Commencement Date; provided, however, that such nine (9) month limitation shall not limit the availability of the Tenant to credit any unused Tenant Improvement Allowance towards monthly Base Rent (as provided below), if applicable. In addition to the Tenant Improvement Allowance, Landlord shall also provide Tenant with a space planning allowance up to, but not exceeding, Twelve Cents (\$0.12) per rentable square foot of the Premises (i.e., up to Five Thousand Eight Hundred Eighty and 96/100 Dollars (\$5,880.96) based on 49,008 rentable square feet in the Premises) for Tenant’s initial space plan and one (1) revision (“**Space Plan Allowance**”), which Space Plan Allowance shall be disbursed to Tenant for the costs incurred by Tenant in completing an initial space plan and one (1) revision thereto along with the Tenant Improvement Allowance and pursuant to the requirements for such disbursement set forth herein. In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in a total amount which exceeds the Tenant Improvement Allowance plus the Space Plan Allowance

EXHIBIT B

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and Additional Allowance (if any). Tenant shall not be entitled to receive any cash payment or credit against Rent or otherwise for any unused portion of the Tenant Improvement Allowance which is not used to pay for the Tenant Improvement Allowance Items (as such term is defined below) except as follows: (a) Tenant shall be permitted to utilize up to Ten Dollars (\$10.00) per rentable square foot of any unused portion of the Tenant Improvement Allowance (i.e., up to Four Hundred Ninety Thousand Eighty Dollars (\$490,080.00), based on 49,008 rentable square feet of the Premises) towards Tenant's cost for furniture, telecommunications equipment and installation, network cabling, security, signage and moving costs (collectively, the "FF&E/Moving Costs"). With respect to the FF&E/Moving Costs, Landlord shall disburse the same to Tenant within thirty (30) days after Tenant's presentation to Landlord of paid invoices documenting such paid FF&E/Moving Costs; and (b) in the event Tenant does not exercise the First Termination Right (set forth in Section 2.2.1 of the Lease), then any unused portion of the Tenant Improvement Allowance, not to exceed Five Dollars (\$5.00) per rentable square foot of the Premises (i.e., up to Two Hundred Forty-Five Thousand Forty Dollars (\$245,040.00) based on 49,008 rentable square feet of the Premises), shall automatically be applied by Landlord as a credit toward the monthly Base Rent coming due under the Lease commencing with the thirty-seventh (37<sup>th</sup>) month of the Lease Term.

## 2.2 Disbursement of the Tenant Improvement Allowance.

2.2.1 **Tenant Improvement Allowance Items.** Except as otherwise set forth in this Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord only for the following items and costs (collectively, the "Tenant Improvement Allowance Items"):

2.2.1.1 payment of the fees of the "Architect" and the "Engineers", as those terms are defined in Section 3.1 of this Work Letter, as well as the costs of Tenant's project manager (provided, however, that only an amount not to exceed Two Hundred Fifty Thousand Dollars (\$250,000.00) may be deducted from the Tenant Improvement Allowance to pay for such fees and costs; provided, further however, that Tenant may request Landlord to consent in writing (which consent shall be in Landlord's reasonable discretion) to an increase in such Two Hundred Fifty Thousand Dollar (\$250,000.00) amount to permit the Tenant Improvement Allowance to cover such fees and costs in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00)), and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings", as that term is defined in Section 3.1 of this Work Letter;

2.2.1.2 the payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

2.2.1.3 the cost of construction of the Tenant Improvements, including, without limitation, contractors' fees and general conditions, demolition, testing and inspection costs, utility hook-up charges, after-hours utilities usage, trash removal, parking and hoists, and the costs of after-hours freight elevator usage.

2.2.1.4 the cost of any changes in the Base, Shell and Core work when such changes are required by the Construction Drawings (including if such changes are due to the fact that such work is prepared on an unoccupied basis), such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

2.2.1.5 the cost of any changes to the Construction Drawings or Tenant Improvements required by Applicable Laws ;

2.2.1.6 sales and use taxes and Title 24 fees, art fees and taxes, gross receipts taxes and any other taxes imposed on or pertaining to the Tenant Improvements;

2.2.1.7 the "Coordination Fee", as that term is defined in Section 4.2.2.2 of this Work Letter; and

2.2.1.8 all other costs to be expended by Tenant in connection with the construction of the Tenant Improvements.

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2.2.2 Disbursement of Tenant Improvement Allowance. Subject to Section 2.1 above, prior to and during the construction of the Tenant Improvements, Landlord shall make disbursements of the Tenant Improvement Allowance for Tenant Improvement Allowance Items for the benefit of Tenant and shall authorize the release of monies for the benefit of Tenant as follows:

2.2.2.1 Disbursements. On or before the first (1<sup>st</sup>) day of each calendar month (“**Submittal Date**”) during the period from the date hereof through the construction of the Tenant Improvements (but in no event more than one (1) time per calendar month during such period), Tenant shall deliver to Landlord: (i) a request for payment of the “Contractor”, as that term is defined in Section 4.1 below (or reimbursement to Tenant if Tenant has already paid the Contractor or other person or entity entitled to payment), approved by Tenant, in a form to be mutually and reasonably agreed upon by Landlord and Tenant, showing the schedule, by trade, of percentage of completion of the Tenant Improvements in the Premises, reasonably detailing the portion of the work completed and the portion not completed; (ii) invoices from all of “Tenant’s Agents”, as that term is defined in Section 4.1.2 below, for labor rendered and materials delivered to the Premises; (iii) executed conditional mechanic’s lien releases from all of Tenant’s Agents which shall comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Section 3262(d), or unconditional releases (with respect to payments previously made); provided, however, that with respect to fees and expenses of the Architect and Engineers or for which the payment scheme set forth in items (i) through (iii), above of this Tenant Work Letter, is not applicable (collectively, the “**Non-Contribution Items**”), Tenant shall only be required to deliver to Landlord on or before the applicable Submittal Date, a reasonably particularized invoice evidencing the cost for the applicable Non-Contribution Items (unless Landlord has received a preliminary notice in connection with such costs in which event conditional lien releases must be submitted in connection with such costs); and (iv) each of the general disbursement items referenced in Section 2.2.2.3 below, and all other information reasonably requested by Landlord. Tenant’s request for payment shall be deemed Tenant’s acceptance and approval of the work furnished and/or the materials supplied as set forth in Tenant’s payment request vis-à-vis Landlord. On or before the date occurring thirty (30) days after the Submittal Date, and assuming Landlord receives all of the information described in items (i) through (iv), above, Landlord shall deliver a check to Tenant made payable to Tenant or, if Landlord reasonably deems appropriate, made payable jointly to Tenant and the Contractor, or any subcontractor, architect, engineer or consultant retained by Tenant in payment of the lesser of (A) the amounts so requested by Tenant, as set forth in this Section 2.2.2.1, above, less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the “Final Retention”) and (B) the balance of any remaining available portion of the Tenant Improvement Allowance (not including the Final Retention). In the event that Landlord or Tenant identifies any material non-compliance of any work with the “Approved Construction Drawings”, as that term is defined in Section 3.4 below, or substandard work, Landlord or Tenant as appropriate shall be provided a detailed statement identifying such material non-compliance or substandard work by the party claiming the same, and if the work creates a Design Problem (as that term is defined in Section 8.1 of the Lease and as such definition is modified in Section 3.2 below), Tenant shall cause such work to be corrected so that no Design Problem exists. Landlord’s payment of such amounts shall not be deemed Landlord’s approval or acceptance of the work furnished or materials supplied as set forth in Tenant’s payment request.

2.2.2.2 Final Retention. Subject to the provisions of this Work Letter, a check for the Final Retention payable jointly to Tenant and Contractor shall be delivered by Landlord to Tenant following the completion of construction of the Premises, provided that (i) Tenant delivers to Landlord properly executed mechanics lien releases in compliance with both California Civil Code Section 3262(d)(2) and either Section 3262(d)(3) or Section 3262(d)(4), (ii) Landlord has reasonably determined that no Design Problem exists, (iii) Architect delivers to Landlord a certificate, in a form reasonably acceptable to Landlord, certifying that the construction of the Tenant Improvements then being constructed by Tenant in the Premises has been substantially completed; (iv) Tenant has delivered to the Office of the Building as-built plans and City-permitted plans for the Tenant Improvements; (v) Tenant has delivered to the Office of the Building operation manuals and warranties for equipment included within the Tenant Improvements, if applicable, and (vi) Tenant has delivered to Landlord each of the general disbursement items referenced in Section 2.2.2.3 below.

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2.2.2.3 General Disbursement Requirements. In addition to the disbursement requirements referenced above, Tenant acknowledges and agrees that the following items are required as a condition to any disbursement of the Tenant Improvement Allowance:

- Copy of the Contract (as defined below) with the Contractor
- Copy of the Contractor's certificate of insurance, including Additional Insured endorsement naming Landlord and Legacy Partners Commercial as additional insureds
- Contractor's Schedule of Values, showing total contract value

2.2.2.4 Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent costs are incurred by Tenant for Tenant Improvement Allowance Items. To the extent that a dispute shall arise as to whether certain amounts of the Tenant Improvement Allowance are due and/or payable to Tenant, any amounts which are not the subject of such dispute, shall be disbursed by Landlord, subject to the terms of this Tenant Work Letter.

2.2.3 Specifications for Building Standard Components. Landlord has established specifications (the "**Specifications**") for the Building standard components to be used in the construction of the Tenant Improvements in the Premises which Specifications have been received by Tenant, and which are attached hereto as Schedule 1. Unless otherwise agreed to by Landlord, the Tenant Improvements shall comply with or exceed the Specifications. Landlord may make changes to the Specifications from time to time; provided, however, no material changes to the Specifications made following the approval of the Construction Drawing shall be applicable to the Tenant Improvements.

### SECTION 3

#### CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Tenant shall retain Wolcott Architecture/Interiors (the "**Architect**") as its architect to prepare the Construction Drawings. Tenant shall retain the engineering consultants reasonably designated by Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life safety, and sprinkler work in the Premises; provided, however, such Engineers shall be reasonably available and competitively priced. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "**Construction Drawings**". All Construction Drawings shall comply with the drawing format and specifications reasonably determined by Landlord, and shall be subject to Landlord's reasonable approval. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings. Each time Landlord is granted the right to review, consent or approve the Construction Drawings (collectively, "**Consent**"), such Consent shall be granted unless a Design Problem exists.

3.2 Final Space Plan. Tenant shall supply Landlord with four (4) copies signed by Tenant of its final space plan for the Premises before any architectural working drawings or engineering drawings have been commenced. The final space plan (the "**Final Space Plan**") shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein. Landlord shall, within five (5) business days after Landlord's receipt of the Final Space Plan (i) approve the

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Final Space Plan, (ii) approve the Final Space Plan subject to specified conditions (which shall be limited to conditions required to eliminate a Design Problem and must be stated in a reasonably clear manner) to be complied with (which shall be limited to conditions required to eliminate a Design Problem) when the Final Working Drawings are submitted by Tenant to Landlord, or (iii) disapprove the Final Space Plan for a Design Problem and return the same to Tenant with requested revisions; provided, however, that Landlord shall only disapprove the Final Space Plan if the Tenant Improvements as shown on the Final Space Plan have a Design Problem. If Landlord disapproves the Final Space Plan, Tenant may resubmit the Final Space Plan to Landlord at any time, and Landlord shall approve or disapprove of the resubmitted Final Space Plan, based upon the criteria set forth in this Section 3.2, within three (3) business days after Landlord receives such resubmitted Final Space Plan. Such procedures shall be repeated until the Final Space Plan is approved. Landlord's failure to timely respond to Tenant within any applicable response period referenced herein shall, if such failure continues for three (3) additional business days after Tenant's second submittal to Landlord of the Final Space Plan, be deemed Landlord's approval of the Final Space Plan. For purposes of this Work Letter, a Design Problem shall also mean the failure of any construction document to confirm with any previous construction document previously approved by Landlord (e.g., if the Final Working Drawings are inconsistent with the Final Space Plan previously approved by Landlord).

3.3 Final Working Drawings. After the Final Space Plan has been approved by Landlord and Tenant, Tenant shall promptly cause the Architect and the Engineers to complete the architectural and engineering drawings for the Premises, and cause the Architect to compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits for the Tenant Improvements (collectively, the "Final Working Drawings"), and shall submit the same to Landlord for Landlord's approval. Tenant shall supply Landlord with four (4) copies signed by Tenant of such Final Working Drawings. Landlord shall, within five (5) business days after Landlord's receipt of all of the Final Working Drawings, either (i) approve the Final Working Drawings, (ii) approve the Final Working Drawings subject to specified conditions which must be stated in a reasonably clear and complete manner to be satisfied by Tenant prior to obtaining permits as set forth in Section 3.4, below of this Work Letter, to the extent the Final Working Drawings contain a Design Problem, or (iii) disapprove and return the Final Working Drawings to Tenant with requested revisions to the extent the Final Working Drawings contain a Design Problem. If Landlord disapproves the Final Working Drawings, Tenant may resubmit the Final Working Drawings to Landlord at any time, and Landlord shall approve or disapprove the resubmitted Final Working Drawings, based upon the criteria set forth in this Section 3.3, within three (3) business days after Landlord receives such resubmitted Final Working Drawings. Such procedure shall be repeated until the Final Working Drawings are approved. Landlord's failure to timely respond to Tenant within any applicable response period referenced herein shall, if such failure continues for three (3) additional business days after Tenant's second submittal to Landlord of the Final Working Drawings, be deemed Landlord's approval of the Final Working Drawings.

3.4 Approved Working Drawings. The Final Working Drawings shall be approved by Landlord (as provided in Section 3.3 above) (the "**Approved Working Drawings**") prior to the commencement of construction of the Premises by Tenant. After approval by Landlord of the Final Working Drawings, Tenant shall promptly submit the same to the appropriate governmental authorities for all applicable building permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit or certificate of occupancy for the Premises and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit or certificate of occupancy.

3.5 Change Orders. In the event Tenant desires to change the Approved Working Drawings and such change could cause a Design Problem, Tenant shall deliver notice (the "**Drawing Change Notice**") of the same to Landlord, setting forth in detail the changes (the "**Tenant Change**") Tenant desires to make to the Approved Working Drawings. Landlord shall, within five (5) business days of receipt of a Drawing Change Notice related to a Tenant Change affecting the Base, Shell and Core, and within three (3) business days of receipt of the Drawing Change Notice related to a Tenant Change which does not affect the Base, Shell and Core, either



(i) approve the Tenant Change, or (ii) disapprove the Tenant Change and deliver a notice to Tenant specifying in reasonably sufficient detail the reasons for Landlord's disapproval; provided, however, that Landlord may only disapprove of the Tenant Change if the Tenant Change contains a Design Problem or if the Tenant Change is not consistent with general office type improvements in a first-class office building in the general vicinity of the Building. Any additional costs which arise in connection with such Tenant Change shall be paid by Tenant pursuant to Section 4.2.1 of this Tenant Work Letter; provided, however, that to the extent the Tenant Improvement Allowance has not been fully disbursed, such payment shall be made out of the Tenant Improvement Allowance subject to the terms of this Tenant Work Letter.

## SECTION 4

### CONSTRUCTION OF THE TENANT IMPROVEMENTS

#### 4.1 Tenant's Selection of Contractor and Tenant's Agents.

4.1.4 The Contractor. A general contractor shall be retained by Tenant to construct the Tenant Improvements. Such general contractor ("**Contractor**") shall be selected by Tenant from a list of general contractors supplied by Landlord, and Tenant shall deliver to Landlord notice of its selection of the Contractor upon such selection.

4.1.2 Tenant's Agents. All subcontractors, laborers, materialmen, and suppliers used by Tenant (such subcontractors, laborers, materialmen, and suppliers, and the Contractor to be known collectively as "**Tenant's Agents**") must, to the extent any such Tenant's Agents are working on-site at the Premises, be approved in writing by Landlord, which approval shall not be unreasonably withheld or conditioned and shall be granted or denied within two (2) business days of Tenant's notice to Landlord requesting Landlord's approval of the same; provided that, in any event, Tenant must contract with Landlord's base building subcontractors for any mechanical, electrical, plumbing, life safety, structural, heating, ventilation, and air-conditioning work in the Premises. If requested by Landlord, Tenant's Agents for millwork, framing, drywall and furniture system installation shall all be union labor in compliance with the master labor agreements existing between trade unions and the local chapter of the Associated General Contractors of America.

#### 4.2 Construction of Tenant Improvements by Tenant's Agents.

4.2.1 Construction Contract; Cost Budget. Prior to Tenant's execution of the construction contract and general conditions with Contractor (the "**Contract**"), Tenant shall submit the Contract to Landlord for its approval, which approval shall not be unreasonably withheld or delayed. Prior to the commencement of the construction of the Tenant Improvements, and after Tenant has accepted all bids for the Tenant Improvements, Tenant shall provide Landlord with a written detailed cost breakdown (the "**Final Costs Statement**"), by trade, of the final costs to be incurred, or which have been incurred, as set forth more particularly in Section 2.2.1.1 through 2.2.1.8 above, in connection with the design and construction of the Tenant Improvements to be performed by or at the direction of Tenant or the Contractor (which costs form a basis for the amount of the Contract, if any (the "**Final Costs**"). Prior to the commencement of construction of the Tenant Improvements, Tenant shall supply Landlord with cash in an amount (the "**Over-Allowance Amount**") by which the Final Costs exceed the Tenant Improvement Allowance (less any portion thereof already disbursed by Landlord, or in the process of being disbursed by Landlord, on or before the commencement of construction of the Tenant Improvements). The Over-Allowance Amount shall be disbursed by Landlord prior to the disbursement of any of the then remaining portion of the Tenant Improvement Allowance, and such disbursement shall be pursuant to the same procedure as the Tenant Improvement Allowance. In the event that, after the Final Costs have been delivered by Landlord to Tenant, the costs relating to the design and construction of the Tenant Improvements shall change, any additional costs necessary to such design and construction in excess of the Final Costs shall, to the extent they exceed the remaining balance of the Tenant Improvement Allowance, be paid by Tenant to Landlord immediately as an addition to the Over-Allowance Amount and, in any event, prior to the commencement of the construction of such changes, or, at Landlord's option, Tenant shall make payments for such additional costs out of its own funds, but Tenant shall continue to provide Landlord with the documents described in Sections 2.2.2.1 (i), (ii), (iii) and (iv) above, for Landlord's approval, prior to Tenant paying such costs.

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#### 4.2.2 Tenant's Agents.

4.2.2.1 Landlord's General Conditions for Tenant's Agents and Tenant Improvement Work. Tenant's and Tenant's Agents' construction of the Tenant Improvements shall comply with the following: (i) the Tenant Improvements shall be constructed in strict accordance with the Approved Working Drawings, subject to Tenant's right to make changes to the same in accordance with, and subject to, this Work Letter; (ii) Tenant and Tenant's Agents shall use commercially reasonable efforts (in accordance with industry custom and practice) not to interfere with, obstruct, or delay, any other work in the Project and Landlord's contractors and subcontractors shall use commercially reasonable efforts (in accordance with industry custom and practice) not to interfere with, obstruct or delay the work of Tenant's Agents with respect to the Tenant Improvements; (iii) Tenant's Agents shall submit schedules of all work relating to the Tenant Improvements to Contractor and Contractor shall, within five (5) business days of receipt thereof, inform Tenant's Agents of any changes which are necessary thereto, and Tenant's Agents shall adhere to such corrected schedule; and (iv) Tenant shall abide by all commercially reasonable rules made by Landlord with respect to any matter, in connection with this Work Letter, including, without limitation, the construction of the Tenant Improvements; provided that such rules and regulations are reasonably consistent with the practices of landlords of Comparable Buildings.

4.2.2.2 Coordination Fee. Tenant shall pay a logistical coordination fee (the "**Coordination Fee**") to Landlord in an amount equal to the product of (i) two percent (2%), and (ii) the sum of all hard costs expended by Tenant in connection with the construction of the Tenant Improvements, which Coordination Fee shall be for services relating to the coordination of the construction of the Tenant Improvements. Landlord shall not be entitled to any other fee or compensation in connection with the Tenant Improvements.

4.2.2.3 Indemnity. Tenant's indemnity of Landlord as set forth in the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant's non-payment of any amount arising out of the Tenant Improvements and/or Tenant's disapproval of all or any portion of any request for payment. Such indemnity by Tenant, as set forth in the Lease, shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to Landlord's performance of any ministerial acts reasonably necessary (i) to permit Tenant to complete the Tenant Improvements, and (ii) to enable Tenant to obtain any building permit or certificate of occupancy for the Premises.

#### 4.2.2.4 Insurance Requirements.

4.2.2.4.1 General Coverages. All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in the Lease (provided that the limits of liability to be carried by Tenant's Agents and Contractor, shall be in an amount and with companies which are customary for such respective Tenant's Agents employed by tenants constructing improvements in the Comparable Buildings).

4.2.2.4.2 Special Coverages. Tenant or Contractor shall carry "Builder's All Risk" insurance in an amount not more than the amount of the Contract which is reasonably approved by Landlord covering the construction of the Tenant Improvements, and such other insurance as Landlord may reasonably require, it being understood and agreed that the Tenant Improvements shall be insured by Tenant pursuant to the Lease immediately upon completion thereof. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord and are generally required by landlords of Comparable Buildings in the context of a similar construction project, and in form and with companies as are required to be carried by Tenant as set forth in the Lease.

4.2.2.4.3 General Terms. Certificates for all insurance carried pursuant to this Section 4.2.2.4 shall be delivered to Landlord before the commencement of construction of the Tenant Improvements and before the Contractor's equipment is moved onto the site. All such policies of insurance must contain a provision that the company writing said policy will endeavor to give Landlord thirty (30) days prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance below the minimum limits required hereunder. In the event that the Tenant Improvements are damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant's sole cost and expense. All policies carried under this Section 4.2.2.4 shall insure Landlord and Tenant, as their interests may appear, as well as Contractor and Tenant's Agents, and shall name as additional insureds Landlord's Property Manager, Landlord's Asset Manager, and all mortgagees and ground lessors of the Building. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the owner and that any other insurance maintained by owner is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under Section 4.2.2.3 of this Work Letter.

4.2.3 Governmental Compliance. The Tenant Improvements shall comply in all respects with the following: (i) the Code and other state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

4.2.4 Inspection by Landlord. Landlord shall have the right to inspect the Tenant Improvements at all reasonable times, provided however, that Landlord's failure to inspect the Tenant Improvements shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Improvements constitute Landlord's approval of the same. In the event that Landlord should discover a Design Problem during an inspection (which Design Problem was not previously approved by Landlord), Landlord shall, as soon as reasonably possible, notify Tenant in writing of such inspection of such disapproval and shall specify in reasonably sufficient detail the items disapproved. Any material defects or deviations in, and/or disapprovals in accordance herewith (because of the existence of a Design Problem) by Landlord of, the Tenant Improvements shall be rectified by Tenant at Tenant's expense and at no additional expense to Landlord, provided however, that in the event Landlord determines that a material defect or deviation exists or reasonably disapproves of any matter in connection with any portion of the Tenant Improvements because of a Design Problem, Landlord may, following notice to Tenant and a reasonable period of time for Tenant to cure (which period shall in no event be less than ten (10) business days), take such action as Landlord deems reasonably necessary to correct the Design Problem, at Tenant's expense, and at no additional expense to Landlord, and without incurring any liability on Landlord's part, to correct any such Design Problem, including, without limitation, causing the cessation of performance of the construction of the Tenant Improvements until such time as the Design Problem is corrected to Landlord's satisfaction.

4.2.5 Meetings. Commencing upon the execution of the Lease, Tenant shall hold weekly meetings at a reasonable time, with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Tenant Improvements, which meetings shall be held at the Project (or via conference call), and Landlord and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings, and, upon Landlord's request, certain of Tenant's Agents shall attend such meetings.

4.3 Notice of Completion; Copy of "As Built" Plans. Within ten (10) days after completion of construction of the Tenant Improvements, Tenant shall cause a Notice of Completion to be recorded in the office of the Los Angeles County Recorder in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. In the event Tenant fails to so record the Notice of Completion as required pursuant to this Section 4.3, then such failure shall not, in and of itself, constitute a default hereunder but Tenant shall indemnify, defend, protect and hold harmless Landlord and the Landlord Parties from any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys' fees) in connection

with such failure by Tenant to so record the Notice of Completion as required hereunder. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant's agent for such purpose, at Tenant's sole cost and expense. At the conclusion of construction, (i) Tenant shall cause the Contractor (A) to update the Approved Working Drawings as to the mechanical and electrical drawing portion thereof, and to provide field-grade mark-ups of the remaining portion of the Approved Working Drawings, in all cases only as necessary to reflect all changes made to the Approved Working Drawings during the course of construction, (B) to certify to the actual knowledge of Contractor that such updated Approved Working Drawings are true and correct, which certification shall survive the expiration or termination of this Lease, and (C) to deliver to Landlord two (2) sets of sepias or electronic format of such updated Approved Working Drawings, together with any permits or similar documents issued by governmental agencies in connection with the construction of the Tenant Improvements, within ninety (90) days following issuance of a certificate of occupancy for the Premises, and (ii) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises in Tenant's possession.

4.4 Coordination by Tenant's Agents with Landlord. Upon Tenant's delivery of the Contract to Landlord under Section 4.2.1 of this Work Letter, Tenant shall furnish Landlord with a schedule setting forth the projected date of the completion of the Tenant Improvements and showing the critical time deadlines for each phase, item or trade relating to the construction of the Tenant Improvements.

## SECTION 5

### DELAY OF LEASE COMMENCEMENT DATE

5.1 Lease Commencement Date Delays. The Lease Commencement Date shall occur as provided in Section 7.2 of the Summary of Basic Lease Information set forth in the Lease, provided that the Lease Commencement Date shall be extended by the number of days of delay of the Substantial Completion of the Tenant Improvements and/or Tenant's move into the Premises to the extent caused by a Landlord Caused Delay and Force Majeure Delay. As used in this Work Letter, "**Landlord Caused Delay**" shall mean (i) except to the extent Landlord's approval under this Work Letter is deemed granted pursuant to the terms of this Work Letter, the failure of Landlord to timely approve or disapprove any Construction Drawings or Change Orders or any other items within time periods set forth in this Work Letter or the Lease, as applicable; (ii) material and unreasonable interference by Landlord, its agents or Landlord Parties (except as otherwise allowed under this Work Letter) with the Substantial Completion of the Tenant Improvements and which objectively preclude or delay the construction of general office use tenant improvements in the Building or any portion thereof, which interference relates to access by Tenant, or Tenant's Agents to the Building or any Building's facilities (including loading docks and freight elevators) or service and utilities during normal construction hours, or the use thereof during normal construction hours; and (iii) any delay in the funding of the Tenant Improvement Allowance by Landlord. As used herein, the term "**Force Majeure Delay**" shall mean only an actual delay resulting from fire, wind, damage or destruction to the Building, explosion, casualty, flood, hurricane, tornado, the elements, acts of God or the public enemy, industry-wide labor disputes or unrest, strikes, sabotage, war, invasion, insurrection, rebellion, civil unrest, riots or earthquakes.

5.2 Intentionally Omitted.

5.3 Definition of Substantial Completion of the Tenant Improvements. For purposes of this Section 5, "**Substantial Completion**" of the Tenant Improvements shall mean the issuance of a temporary certificate of occupancy for the Premises, all Building systems and equipment serving the Premises are in good working order and condition and Tenant has been provided access to the Parking Facilities.

5.4 Determination of Landlord Caused Delay. If Tenant contends that a Landlord Caused Delay has occurred, Tenant shall notify Landlord in writing of the event which constitutes such Landlord Caused Delay. If such actions, inaction or circumstance described in the notice (the "**Delay Notice**") are not cured by Landlord within two (2) business day of Landlord's receipt of the Delay Notice and if such action, inaction or circumstance otherwise qualify as a Landlord Caused Delay, then a Landlord Caused Delay shall be deemed to have occurred commencing as of the date of Landlord's receipt of the Delay Notice and ending as of the date such delay ends.

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**SECTION 6**

**MISCELLANEOUS**

6.1 **Tenant's Representative.** Tenant has designated Kathryn Pellman as its sole representative with respect to the matters set forth in this Work Letter, who shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

6.2 **Landlord's Representative.** Landlord has designated Ann Sundin as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Work Letter.

6.3 **Time of the Essence in This Work Letter.** Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Landlord, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord.

6.4 **Tenant's Lease Default.** Notwithstanding any provision to the contrary contained in the Lease, if an event of default by Tenant of this Work Letter (which, for purposes hereof, shall include, without limitation, the delivery by Tenant to Landlord of any oral or written notice that Tenant does not intend to occupy the Premises, and/or any other anticipatory breach of the Lease) or the Lease has occurred at any time on or before the Substantial Completion of the Tenant Improvements, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, at law and/or in equity, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Premises (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises caused by such work stoppage), and (ii) all other obligations of Landlord under the terms of this Work Letter shall be suspended until such time as such default is cured pursuant to the terms of the Lease (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises caused by such inaction by Landlord). Notwithstanding the foregoing, if a default by Tenant is cured, forgiven or waived, Landlord's suspended obligations shall be fully reinstated and resumed, effective immediately.

6.5 **No Miscellaneous Charges.** Neither Tenant nor the Tenant Improvement Allowance shall be charged for, freight elevators and/or loading docks during the Building Hours listed in Section 6.1.1 of the Lease to the extent utilized in connection with the construction of the Tenant Improvements and Tenant's move into the Premises. Neither Tenant nor the Tenant Improvement Allowance shall be charged for Building security in connection with the construction of the Tenant Improvements. Neither Tenant nor the Tenant Improvement Allowance shall be charged for parking (in a location in the Project to be designated by Landlord), electricity, water, toilet facilities or HVAC during the Building Hours during the design and construction of the Tenant Improvements. In the event the Tenant Improvement work requires Tenant to access any other tenant's space in the Building, then Tenant, at Tenant's sole cost and expense, shall be responsible for any security costs and other costs associated with such access.

6.6 **Presence of Hazardous Materials.** In the event that during the installation of the Tenant Improvements, the Premises are determined to contain hazardous materials, including without limitation, asbestos (and such hazardous materials was not brought to the Premises by Tenant, its agents, employees, contractors or subcontractors), Landlord, at its sole cost and expense, shall promptly remove, encapsulate, contain, or otherwise dispose of such hazardous materials in accordance with Code to the extent necessary for Tenant to obtain a certificate of occupancy, or its equivalent, for the Premises (for typical general office use and improvement of the Premises).

6.7 Freight Elevators. Landlord shall, consistent with its obligations to other tenants of the Building, make the freight elevator reasonably available to Tenant (at no additional cost) in connection with the construction of the Tenant Improvements and Tenant's move into the Premises.

6.8 Staging Area. During construction of the Tenant Improvements until the Lease Commencement Date and upon request from Tenant, Tenant shall have the right to use up to 3,000 rentable square feet of vacant space in the Building ("**Staging Space**") for storage of construction materials, furniture and equipment in a manner that would not impede Landlord's marketing efforts for such Staging Space. In such event, Tenant shall have the right, without any obligation to pay rental or any other additional fees to Landlord, to use such Staging Space so designated by Landlord for storage of such construction materials, furniture and equipment only. During the course of Tenant's use of such Staging Space, for purposes of Article 10 and Article 11 of the Lease, such Staging Space shall be considered to be a portion of the Premises. Tenant shall remove all such materials within thirty (30) days after Tenant's receipt of written notice from Landlord that such Staging Space is no longer available for staging purposes, in which event substitute space shall (if the same is available) be made available to Tenant as a substitute Staging Area subject to, and in accordance with, this Section 6.8. Upon completion of Tenant's use of any such Staging Area, or upon the expiration of the thirty (30) day period after Landlord's written notice that such area is no longer available, Tenant shall, at Tenant's sole cost and expense, clean such Staging Area and repair any damage to such Staging Area resulting from Tenant's or its contractor(s)' use thereof. Landlord shall have the right to show the Staging Space to prospective tenants without notice to Tenant.

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## SPECIFICATIONS



GLENDALE-TENANT IMPROVEMENT BUILDING STANDARDS-A

01/16/08

<b>PARTITIONS</b>
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**A. DEMISING PARTITION AND CORRIDOR WALLS**

1. 3-5/8" (or match existing) - 20 gauge metal studs - 24" on center maximum from floor to ceiling grid. (Provide backing for cabinet as required)
2. 5/8" Type 'X' gypsum wallboard one layer each side of studs, fire taped only.
3. Height from floor to ceiling grid.
4. Seismic bracing per code.
5. Two rows of continuous acoustical sealant - bottom tracks. R-11 batt type fiberglass insulation between studs

## Note:

- All partitions to be paint finished on smooth surfaces GA-214, level 5 smoothness.
- One hour rated walls where required based on occupancy group.
- All interior 1-hour corridors to be tunnel construction in compliance with UBC requirements for one-hour fire rated assembly.

**B. TYPICAL INTERIOR PARTITION (Non rated)**

1. 3-5/8" (or match existing) - 20 gauge metal studs - 24" on center maximum. (provide backing for wall mounted cabinetry or equipment as required).
2. 5/8" Type 'X' gypsum wallboard one layer each side of studs.
3. Height from floor to ceiling grid - approximately 9'-0" or 10'-0" based on structure cost at all floors; regular ceiling tiles must be scribed
4. Seismic bracing per code.
5. All exterior corners with corner beads. All exposed edges finished with metal trim.

## Note:

- All partitions to be paint finished on smooth surfaces GA-214, level 5 smoothness.
- Partitions must connect to building mullions or walls. Mechanical fasteners to mullions shall not be allowed.

**C. PERIMETER DRY WALL (at office areas)**

1. 2-1/2" - 25 gauge metal studs 24" on center to 6" above suspended ceiling (or as required by Title-24 for full height envelope, refer to demising wall specification)
2. 5/8" Type 'X' gypsum wallboard one layer on one side.
3. Height - floor slab to 6" above ceiling grid
4. All exterior corners with corner beads.

## Note:

- All partitions to be paint finished on smooth surfaces GA-214, level 5 smoothness.

**D. COLUMN FURRING**

1. 5/8" Type 'X' gypsum wallboard, one layer on 2 1/2" - 25 gauge metal studs, UNO.
2. Height - floor slab to 2" above ceiling grid.
3. All exterior corners with corner beads.

## Note:

- All partitions to be paint finished on smooth surfaces GA-214, level 5 smoothness.

**E. INSULATION**

1. Insulation at all perimeter walls and roof per specifications
2. All common area walls including corridor, conference, copy rooms and lunch room to receive R-11 within partition cavity and four feet on either side of partition over ceiling at demising wall (if not full height)

**F. FIRE BLOCKING**

1. 2-1/2" 20 Gauge metal studs.
2. 5/8" gypsum wallboard one layer on one side.
3. Height from top of suspended ceiling to structure above as required by code.
4. Locate as required by code for the proposed tenant space plans.

**G. PAINTING**

1. All gypsum board walls to receive a prime coat (hi-build PVA sealer) and two (2) coats to cover of 'carefree' eggshell finish paint or equal.
2. Semi-gloss paint at all kitchens, break rooms, restrooms and server/copy rooms.

**DOORS, FRAMES AND HARDWARE**

Note: all doors and hardware within existing buildings to match U.O.N.

**A. INTERIOR TENANT DOOR ASSEMBLY (non-rated doors within office suites)**

1. Interior doors shall be 3'-0" x 9'-0" x 1 3/4" blind end" flush doors (unless otherwise specified), solid core, pre-finished with plain sliced select maple, book-match with clear sealer.
2. (existing condition) Doors shall be pre-finished and match existing core doors in finish, material and appearance. Finish all edges. 5" top blocking at doors w/closers.
3. Interior Tenant doorframes to be prefinished rated Western Integrated frames with factory finish; Color: Satin Aluminum
4. Corridor doorframes to Suites to be: Satin Aluminum
5. Hardware:

(a) Interior Tenant Door

<u>QTY</u>	<u>SUBTYPE</u>	<u>ITEM DESCRIPTION</u>
4	Butts(2 pair per door)	Hager
1	Latchset	Schlage "L" Series Mortise
1	Lockset	Schlage "L" Series Mortise
1	Door Stop	Glynn Johnson FB13, floor dome
1	Closer	LCN #4111(where required)



(b) Suite Entry Doors-Fire rated as required by occupancy and code requirements.

<u>QTY</u>	<u>SUBTYPE</u>	<u>ITEM DESCRIPTION</u>
8	Hinges (4 pair per door)	Hager
1	Lockset	Schlage "L" Mortise
1	Auto Flush Bolt	942 626 DCI
1	Dust Proof Strike	80 626 DCI
2	Door Stops	Glynn Johnson FB13, floor dome
1	Closer	LCN #4111(where required)

## **B. INTERIOR GLAZING**

- (a) ¼" thick clear tempered glass in non-rated, prefinished frames by Western Integrated frames with aluminum trim. Frame to be factory finished; Color: Satin Aluminum
- (b) ¼" thick clear tempered glass in non-rated, M-121 glass stops; Color: Satin Aluminum
- ¾" thick tempered safety glass where required per code.
- Return gypsum board into opening at both sides, provide metal corner bead all around opening. Finish to match wall.
- Provide two 20 G a. metal studs fastened at 12" O.C. back-to-back at jambs and head (minimum) as per detail. Provide seismic brace per code.

Note:

-All office doors to have 2'-0" wide by full height (inside window frame to inside window frame) sidelights where possible. At areas where less than 2'-0" is available, provide maximum. Sidelight frames to be integral with doorframes.

## **SUSPENDED ACOUSTICAL CEILING**

Note: Tenant ceiling height at 9'-0" (installed at top of top exterior window mullion)

- Grid: **USG Donn Finline DXFF** Narrow 9/16" face with 1/8" reveal. Finish: White Matte with white reveal, Suspension System with wire suspension and seismic bracing per code. Wall angle: M9
- Tile: USG 2'x2'x ¼" Millennia Tegular White.
- Seismic bracing per code.
- Seismic wires for lighting and electrical to be provided by acoustical ceiling contractor.

## **WINDOW COVERINGS**

- Exterior Window covering – horizontal: 1" mini-blinds as manufactured by Levelor, series: Riviera Dustguard
- Blinds to be sized to fit inside window module. Fasten to top horizontal mullions only.
- Vertical blinds to be installed with building shell but costs allocated to tenant improvement allowance.

## FIRE SPRINKLER SYSTEM

1. A pre-zoned sprinkler will be provided in all areas. Head locations will be determined by a pre-zoned master layout. Modification of sprinkler locations and piping due to specific tenant layout, will be at tenant's cost. Semi-recessed pendant sprinkler heads with white escutcheon. Sprinkler to be centered in tile.
2. Fire Sprinkler coverage light hazard, 33 gpm / 3,000 SF in shell and modified per improvement.
4. Gyp Board Ceilings: Fully recessed with cap at gypsum board ceiling. Reliable Model F4FR Concealed automatic sprinkler with 1/2" - 1 1/2" adjustment - White

## SIGNAGE

Refer to Landlord

## CABINETRY

1. 6'-0" linear feet of upper and lower millwork allowable by building standard
6. Plastic laminate horizontal and vertical surfaces.
7. Horizontal and Verticals: See individual options under finishes for plastic laminate specifications
3. Cabinetry Construction: Designation, APA C-D plugged with exterior glue, 3/4" thick or 3/4" high pressure particle board. Min. density 45 PSF, U.N.O.
4. Cabinetry: Plastic laminate finish, countertops and splashes shall be constructed in accordance with WIC manual of Millwork, "Custom" grade.
5. Hardware:
  - a. Hinges: Self-closing type, fully concealed when the doors are closed. Shall have independent vertical, horizontal and depth adjustment. Shall be steel with nickel-plated finish. Hinges shall be one of the following products:

Brass America, Inc. Nos. 1200/1201  
Julius Blum, Inc. No.91650  
Stanley Hardware Nos. 1511-2/1511-9x or equal.
6. Pulls: 4" X 5/16" diameter wire pulls, brushed chrome finish. U.N.O.
7. Adjustable Shelf Supports to be hole & pin type, Hafele 282.24.710 5MM steel pin.
8. Drawers: Provide heavy-duty 3/4 extension drawer slides.
9. Mutes: Clear vinyl dot.
10. Fasteners and Anchorages: Provide nails, screws, or other anchoring devices of type, size material and finish suitable for intended use and required to provide secure
11. Casework:
  - a. Drawer Boxes: Provide sub-front and applied finish fronts securely fastened, with square corners and self-edges. Provide drawers with metal studs.

- b. Doors: Flush overlay type with square corners, and self edged. Do not notch door, cabinet ends or dividers to receive hinges.
- c. Shelves: ¾" thick for spans up to 35" and 1" thick for spans over 35" up to 48" and adjustable to 1" centers. Do not recess metal shelf standards into end panels, notch shelving to clear standards.

## TENANT SUITE FINISH MATERIALS

### A. PAIN T

Field Color: Kelly Moore # 20 Western Acoustic (accent colors within open areas may be used at designer's discretion approved by Ownership)

### B. FINISH STANDARD

Carpet: Shaw Contract Group: 'Ripple' Model #50881, Color: 'Shore' #515  
'Java' Model #5A035, Color: 'Casual Coriander' #755  
'Stitch' Model #5A075, Color: 'Warp & Weft' #761  
Installation: Direct Glue Down

Rubber Base: Johnsonite Tightlock -Color: #22 Pearl, 3.25 high, rubber  
2 1/2" cove base at resilient flooring, 2 1/2" straight base at carpet (rolled goods only).  
Rubber transition strip between carpet and resilient flooring, Color to match base

VCT#1: Armstrong 'Stonetex' Vinyl Composite Tile, Color #52139 Limestone Beige or #52128 Desert Dust, 12" x 12" x 1/8"

Plastic Lam.: Formica #756-58 Natural Maple (base cabinet vertical surfaces)

Plastic Lam.: Formica #7022-58 Natural Canvas (horizontal surfaces & upper cabinets)

## HEATING, VENTILATION AND AIR CONDITIONING

Furnish and install all materials and equipment necessary to provide complete and usable air conditioning systems in tenant spaces including, but not necessarily limited to, the following:

A. Requirements shall be in accordance with title 24 and all other applicable codes.

### B. CEILING DIFFUSER SPECIFICATION

- a. Ceiling diffusers shall have perforated face with frame style compatible with the type of ceiling used. Surface mounted diffusers shall have gaskets to prevent leakage. Diffuser faceplate shall have concealed hinges and latches. Face plates shall be easily removable from the frame.
- b. Diffusers shall be modular core and shall have curved, adjustable blades and shall be capable of delivering 1-way, 2-way, 3-way or 360 degree horizontal ceiling pattern and be

- adjustable to obtain a down air pattern. Diffuser must have high anti-smudge characteristics with center aspiration.
- c. Material shall be steel. Finish shall be Standard White baked enamel.
  - d. Supply diffusers shall be Titus modular core PMC perforated face-size 24"x24" for lay-in ceiling tile.
  - e. Return/Exhaust diffusers shall be Kruger
  - f. Perforated ceiling diffusers shall be tested in accordance with Air Diffusion Council (ADC) code 10602R4. Sound data for diffusers shall be calculated in accordance with International Standard ISO 3741 Comparison Method.
  - g. The following manufactures shall be considered equal, providing corresponding models meet specific requirements. Equivalent substituted equipment named herein shall be submitted for the Architect's review. Submit alternate selections at a time of bid listing major equipment.
  - h. Manual dampers in all drops.

<u>ITEM</u>	<u>MANUFACTURER</u>
AIR FILTERS	Kruger
MIXING BOXES	Kruger
GRILLES	Kruger

**C. THERMOSTATS**

Thermostats shall be provided for each zone. Honeywell Pneumatic, Model TP970A, 2004

Direct Acting Range 60° to 90°, Color White

**D. SUBMITTALS**

For Non-Standard Material Lists/Product Data: Within 5-7 days of contract award, and prior to ordering any materials or equipment, submit for Owner's review complete material list including catalogue data of material and products for work in this section.

Note: Install BTU meters for any condenser water usage at tenant cost.

## ELECTRICAL

### 1. GENERAL

- a. All work, material or equipment shall comply with the codes, ordinance and regulations of the local government having jurisdiction, including Title 24 and any participating government agencies having jurisdiction.
- b. 110V duplex outlet in demising or interior partitions only, as Manufactured by Leviton or equal. Color: White
- c. Maximum eight outlets per 20 amps 3 phase 4-wire circuit, spacing to meet code requirements. Minimum 2 per: office(1 quad with drop for voice/data and 1 duplex on opposite wall), conference room, reception, 2 dedicated over cabinet at break room; junction boxes above ceiling for large open area with furniture partitions.
- d. Contractors to inspect electric room and base building Electrical drawings to include all necessary metering, connections and additional equipment, i.e., panels and transformers, if needed. Base building provides one (1) power panel and one (1) lighting panel per electrical room.
- e. Note: Install electric meter for any above-standard electrical usage at Tenant Cost.

### 2. RACEWAYS

- a. Conduit shall be rigid galvanized steel(RGS), electrical metallic tubing (EMT), metal clad (MC) cable, polyvinyl chloride (PVC), and flexible or liquid tight flexible conduit.
- b. Type 'AC' and 'NM' cable are not acceptable.
- c. Support per seismic zone 4 requirements.

### 3. WIRING DEVICES

- a. Receptacles, toggle switches and coverplates shall be white (dedicated- gray) – Leviton. Mount so that the center of the receptacles is no less than 15" AFF.
- b. Maximum eight (8) outlets per 20 amp 3 phase 4-wire circuit. Spacing to meet code requirements. Amounts to be two duplex outlets per small and three for large private office, storage room and conference room. One dedicated outlet per copy room; one dedicated 20-amp outlet per telephone panel and one 20-amp circuit per 200 square foot of open area for workstations.
- c. All workstation hardwire connections to be building power to be supplied by tenant.
- d. Transformers to be a minimum of 20% or over required capacity shall be K-rated dry type.
- e. Contractors to inspect electric room and base building electrical drawings to include all necessary metering and connections.
- f. No aluminum wiring is acceptable. AC and NM cable is not to be used
- g. Provide separate neutrals for each circuit. Use stranded wire for each circuit. Use copper conductors only, no exception.
- h. Switch assembly to be Leviton.
- i. Motion sensors as required by lighting management system and by Title 24.

### 4. TELEPHONE / DATA OUTLETS

- a. One (1) single box to house phone/data jack with pull string from outlet box to area above T-bar ceiling with cover plate per office; Two (2) boxes to house phone/data jack with pull string from

outlet box to area above T-bar ceiling with cover plate per large open area. Cover plate finish required: white, supplied by tenant's Telcom contractor. Mount so that the center of the receptacles is no less than 15" AFF.

- b. One (1) 6' wide by 4' high plywood backboard installed as telephone backboard, brace and secure to wall. Painted to match wall color. Provide one duplex 20 amp dedicated outlet for phone service per above electrical specification. Provide 2" conduit from floor main phone room to six inches (6") below ceiling at telephone backboard.
- c. Cable service installation for phone and data outlets by tenant's telephone/data vendors at tenant's cost. Additional outlets and cover plates to be provided by tenant's vendors at tenant's cost. In speculative office suites, contractor to provide and install blank cover plates.
- d. Telephone panel boards to be located within tenant space and to be surface mounted.

5. **TRANSFORMERS**

- a. Transformers shall be UL listed and suitable for the application- NEMA 1 or 3R.
- b. Transformers shall be 480V (primary) – 20by/120V (secondary), rated for 80 C rise above an ambient temperature of 40 C.
- c. Support per seismic zone 4 requirements.
- d. Acceptable manufacturers shall be General Electric, Cutler-Hammer, Siemens, Square D, or Westinghouse.

6. **PANEL BOARDS**

- a. Panel boards shall be UL listed and suitable for the application- NEMA 1 or 3R.
- b. All circuit breakers shall be molded case, bolt-on type.
- c. Support per seismic zone 4 requirements.
- d. Acceptable manufactures shall be General Electric, Cutler-Hammer, Siemens, Square D, or Westinghouse.

7. **LIGHT FIXTURES**

- a. Light fixtures shall be 24"x 48"x 3" Parabolic Diffuser with three 32 Watt T8 lamps per fixture size, 1-electronic ballasts. Fixtures shall be Lightolier DPA-2T18-L-S-332-UNV03-18-29187-000M 277 V with modular wiring and (1) electronic ballast (Advance Ballast #VEL-3P32-SC). Fixtures shall match existing in suite with modular wiring and (1) electronic ballast (verify for 2 or 3 lamp fixture requirement based on energy efficiency requirement with approximately 50 F.C. at desk height).
- b. Support per seismic zone 4 requirements.
- c. Quantities and locations per plans.

8. **LIGHT CONTROL/SWITCHING**

Wall occupancy sensors – Mytec #LP-2-DC



LEGACY

GLENDALE-

TENANT IMPROVEMENT BUILDING STANDARDS -A

01/16/08

9. **EXIT SIGNS**

- a. Edge lite with recessed ceiling mount, floating green letters on a clear panel with LED Technology, by Dualite or equivalent.
- b. Quantities and locations per exiting and lighting plans.
- c. Single or double face and directional arrows per lighting plans.

<b>MISCELLANEOUS</b>
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1. **FIRE CAULKING**

- a. General Contractor is responsible for all fire caulking required by any and all work done during the process of construction.

2. **PLUMBING**

- a. Shall comply with all local codes and handicapped code requirements. Fixture shall be: Manufacturer Elkay, 'Hospitality sink' #BPSR-2317 – stainless steel, two faucet holes, or equivalent. Faucet: single lever post mount bar faucet by 'Elkay' #LK-4122 or equivalent.
- b. Plumbing bid shall include 5 gallon minimum hot water heater, or insta-hot with mixer valve including all connections, located within tenant's suite.

**EXHIBIT C**

**AMENDMENT TO LEASE**

THIS AMENDMENT TO LEASE ("Amendment") is made and entered into effective as of \_\_\_\_\_, 20\_\_, by and between LEGACY PARTNERS II GLENDALE N BRAND, LLC, a Delaware limited liability company ("Landlord") and LEGALZOOM.COM, INC., a Delaware corporation ("Tenant").

**R E C I T A L S :**

A. Landlord and Tenant entered into that certain Office Lease dated as of \_\_\_\_\_ (the "Lease"), pursuant to which Landlord leased to Tenant and Tenant leased from Landlord certain "Premises", as described in the Lease, in that certain Building located at Glendale City Center, Glendale, California 91203.

B. Except as otherwise set forth herein, all capitalized terms used in this Amendment shall have the same meaning as such terms have in the Lease.

C. Landlord and Tenant desire to amend the Lease to confirm the Lease Commencement Date and the Lease Expiration Date of the Lease Term, as hereinafter provided.

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Confirmation of Dates. The parties hereby confirm that (a) the Premises are Substantially Complete, and (b) the Lease Term commenced as of \_\_\_\_\_, for a term of \_\_\_\_\_ ending on \_\_\_\_\_ (unless sooner terminated as provided in the Lease).

2. No Further Modification. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this Amendment to Lease has been executed as of the day and year first above written.

"Landlord":

LEGACY PARTNERS II GLENDALE N BRAND, LLC,  
a Delaware limited liability company,  
Owner

By: LEGACY PARTNERS COMMERCIAL, L.P.,  
a California limited partnership,  
as Property Manager and Agent for Owner

By: LEGACY PARTNERS COMMERCIAL,  
INC.,  
General Partner

By: \_\_\_\_\_  
Debra Smith

Its: Chief Administrative Officer  
DRE #00975555  
BL DRE #01464134

EXHIBIT C

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“Tenant”:

LEGALZOOM.COM, INC., a Delaware corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

EXHIBIT C

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**EXHIBIT D**

**RULES AND REGULATIONS**

Tenant shall faithfully observe and comply with the following Rules and Regulations. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Building or Real Property; provided, however, Landlord shall use commercially reasonable efforts to enforce all Rules and Regulations with all tenants of the Project in a non-discriminatory manner. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent; provided, however, Tenant shall have the right (with Landlord's consent and utilizing Building lock system and locksmith) to install new or additional locks and/or bolts on interior suite doors located in the Premises so long as Tenant coordinates the same with Landlord. Tenant shall bear the cost of any lock changes or repairs required by Tenant.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises, unless electrical hold backs have been installed.

3. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as are customary for Comparable Buildings, provided that Landlord shall use commercially reasonable efforts to provide Tenant with reasonable access to the Premises and the Parking Facilities throughout the Lease Term. Tenant, its employees and agents must be sure that the doors to the Building are securely closed and locked when leaving the Premises if it is after the normal hours of business for the Building. Any tenant, its employees, agents or any other persons entering or leaving the Building at any time when it is so locked, or any time when it is considered to be after normal business hours for the Building, may be required to sign the Building register when so doing. After-hours access by Tenant's authorized employees may be provided by card-key access or other reasonable procedures adopted by Landlord from time to time; Tenant shall not be required to pay for the costs of all initial access cards provided to Tenant's employees, but shall be required to pay for all replacements thereof at Landlord's actual cost. Access to the Building and/or Real Property may be refused unless the person seeking access has proper identification or has a previously arranged pass for such access. Landlord and its agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building and/or Real Property of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building and/or Real Property during the continuance of same by any means it deems appropriate for the safety and protection of life and property.

4. Landlord shall have the right to reasonably prescribe the weight, size and position of all safes and other heavy property brought into the Building. Safes and other heavy objects shall, if considered necessary by Landlord to the extent reasonably necessary to avoid damage to the Building or Project, stand on supports of such thickness as is reasonably necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property in any case. All damage done to any part of the Building, its contents, occupants or visitors by moving or maintaining any such safe or other property shall be the sole responsibility of Tenant and any expense of said damage or injury shall be borne by Tenant, except to the extent covered by any insurance required to be maintained by Landlord under this Lease.

5. No bulk furniture, freight, packages, supplies, equipment or merchandise will be brought into or removed from the Building or carried up or down in the elevators, except upon prior notice to Landlord, and in such manner, in such specific elevator, and between such hours as shall be reasonably designated by Landlord. Tenant shall provide Landlord with not less than 24 hours prior notice of the need to utilize an elevator for any such purpose, so as to provide Landlord with a reasonable period to schedule such use and to install such padding or take such other actions or prescribe such procedures as are reasonably appropriate to protect against damage to the elevators or other parts of the Building.

EXHIBIT D

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6. Landlord shall have the right to control and operate the public portions of the Building and Real Property, the public facilities, the heating and air conditioning, and any other facilities furnished for the common use of tenants, in such manner as is customary for Comparable Buildings.

7. The requirements of Tenant will be attended to only upon application at the management office of the Real Property or at such office location reasonably designated by Landlord. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

8. Tenant shall not disturb, solicit, or canvass any occupant of the Building or Real Property and shall cooperate with Landlord or Landlord's agents to prevent same.

9. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or agents, shall have caused it.

10. Tenant shall not overload the floor of the Premises. Tenant shall not mark, drive nails or screws, or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof without Landlord's consent first had and obtained; provided, however, Landlord's prior consent shall not be required with respect to Tenant's placement of pictures and other normal office wall hangings on the interior walls of the Premises (but at the end of the Term, Tenant shall repair any holes and other damage to the Premises resulting therefrom).

11. Except for vending machines and refrigerators intended for the sole use of Tenant's employees and invitees, no vending machine or machines of any description other than fractional horsepower office machines shall be installed, maintained or operated upon the Premises without the written consent of Landlord.

12. Except as otherwise expressly set forth in the Lease, Tenant shall not use any method of heating or air conditioning other than that which may be supplied by Landlord, without the prior written consent of Landlord.

13. Tenant shall not use or keep in or on the Premises, the Building or Real Property any kerosene, gasoline or other inflammable or combustible fluid or material (provided that Landlord acknowledges that Tenant will maintain products in the Premises which are incidental to the operation of its offices, such as photocopy supplies, secretarial supplies and limited janitorial supplies, which products contain chemicals which are categorized as hazardous materials, and that the use of such products in the Premises in compliance with Applicable Laws and in the manner in which such products are designed to be used shall not be a violation by Tenant of this Rule 13). Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner reasonably offensive or objectionable to Landlord or other occupants of the Building or Real Property by reason of noise, odors, or vibrations, or interfere in any way with other tenants or those having business therewith.

14. Tenant shall not bring into or keep within the Real Property, the Building or the Premises any animals (except for assistance animals), birds or, except in areas reasonably designated by Landlord, bicycles or other vehicles.

15. No cooking shall be done or permitted by Tenant on the Premises, nor shall the Premises be used for the storage of merchandise, for lodging or for any unlawful purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages, provided that such use is in accordance with all applicable federal, state and city laws, codes, ordinances, rules and regulations, and does not cause odors which are objectionable to Landlord and other tenants.

16. Intentionally Omitted.

EXHIBIT D

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17. Landlord reserves the right to exclude or expel from the Building and/or Real Property any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

18. Tenant, its employees and agents shall not loiter in the entrances or corridors, nor in any way obstruct the sidewalks, lobby, halls, stairways or elevators, and shall use the same only as a means of ingress and egress for the Premises.

19. Tenant shall use commercially reasonable efforts not to waste electricity, water or air conditioning and agrees to cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall refrain from attempting to adjust any controls.

20. Tenant shall store all its trash and garbage within the interior of the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in Glendale, California without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall reasonably designate.

21. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

22. Subject to the terms of Section 6.1.8 of the Lease, Tenant shall assume any and all responsibility for protecting the Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed, when the Premises are not occupied.

23. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or exterior door of the Premises without the prior written consent of Landlord. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills.

24. The washing and/or detailing of or, the installation of windshields, radios, telephones in or general work on, automobiles shall not be allowed on the Real Property.

25. Food vendors shall be allowed in the Building upon receipt of a written request from the Tenant. The food vendor shall service only the tenants that have a written request on file in the management office of the Real Property. Under no circumstance shall the food vendor display their products in a public or Common Area including corridors and elevator lobbies. Any failure to comply with this rule shall result in immediate permanent withdrawal of the vendor from the Building.

26. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord.

27. Tenant shall comply with any non-smoking ordinance adopted by any applicable governmental authority.

28. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Building and/or Real Property. Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable non-discriminatory Rules and Regulations as in Landlord's reasonable judgment may from time to time be reasonably necessary for the management, safety, care and cleanliness of the Premises, Building and Real Property, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein. Landlord shall not be responsible to Tenant or to any other person for the nonobservance of the Rules and Regulations by another

EXHIBIT D

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tenant or other person. Landlord agrees that the Rules and Regulations shall not be unreasonably modified or enforced in a manner which materially interferes with the conduct of the Permitted Use from the Premises or Tenant's reasonable use of the Project's Parking Facilities. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises.

29. Neither Landlord nor any operator of the Parking Facilities within the Project, as the same are designated and modified by Landlord, in its sole discretion, from time to time will be liable for loss of or damage to any vehicle or any contents of such vehicle or accessories to any such vehicle, or any property left in any of the Parking Facilities, resulting from fire, theft, vandalism, accident, conduct of other users of the Parking Facilities and other persons, or any other casualty or cause, except to the extent caused by their negligence or willful misconduct. Further, Tenant understands and agrees that: (i) Landlord will not be obligated to provide any traffic control, security protection or operator for the Parking Facilities; (ii) Tenant uses the Parking Facilities at its own risk; and (iii) Landlord will not be liable for personal injury or death, or theft, loss of or damage to property, except to the extent caused by their negligence or willful misconduct. Tenant indemnifies and agrees to hold Landlord, any operator of the Parking Facilities and their respective agents harmless from and against any and all claims, demands, and actions arising out of the use of the Parking Facilities by Tenant, except to the extent caused by their negligence or willful misconduct.

30. Tenant (including Tenant's agents) will use the parking spaces solely for the purpose of parking passenger model cars, small vans and small trucks and will comply in all respects with any reasonable non-discriminatory rules and regulations that may be promulgated by Landlord from time to time with respect to the Parking Facilities. The Parking Facilities may not be used by Tenant or its agents for overnight parking of vehicles. Tenant will ensure that any vehicle parked in any of the parking spaces will be kept in proper repair and will not leak excessive amounts of oil or grease or any amount of gasoline. If any of the parking spaces are at any time used: (i) for any purpose other than parking as provided above; or (ii) in any way or manner reasonably objectionable to Landlord, Landlord, in addition to any other rights otherwise available to Landlord, may consider such default an event of default under the Lease, subject to applicable notice and cure periods.

31. Tenant's right to use the Parking Facilities will be in common with other tenants of the Project and with other parties permitted by Landlord to use the Parking Facilities. Subject to the terms of Article 23 of the Lease, Landlord reserves the right to assign and reassign, from time to time, particular parking spaces for use by persons selected by Landlord provided that Tenant's rights under the Lease are preserved. Except as provided in the Lease, Landlord will not be liable to Tenant for any unavailability of Tenant's designated spaces, if any, nor will any unavailability entitle Tenant to any refund, deduction, or allowance. Tenant will not park in any numbered space or any space designated as: RESERVED, HANDICAPPED, VISITORS ONLY, or LIMITED TIME PARKING (or similar designation).

32. Except as provided in the Lease, if the Parking Facilities are damaged or destroyed, or if the use of the Parking Facilities is temporarily limited or prohibited by any governmental authority, or the use or operation of the Parking Facilities is temporarily limited or prevented by strikes or other labor difficulties or other causes beyond Landlord's control, Tenant's inability to use the parking spaces will not subject Landlord or any operator of the Parking Facilities to any liability to Tenant and will not relieve Tenant of any of its obligations under the Lease (other than for the payment of parking charges for such unavailable spaces) and the Lease will remain in full force and effect.

33. Tenant has no right to assign or sublicense any of its rights in the parking passes, except as part of a permitted assignment or sublease of the Lease; however, Tenant may allocate the parking passes among its employees.

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**EXHIBIT E**

**FORM OF ESTOPPEL CERTIFICATE**

**TENANT ESTOPPEL CERTIFICATE**

\_\_\_\_\_  
its successors and assigns ("Purchaser")

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

And

any lender making a loan secured (i) in part by the Premises, or  
(ii) by a direct or indirect equity interest in Purchaser,  
and their respective successors, assigns and participants,  
and the respective successors and assigns of such persons  
(collectively, "Lender")

Re: Lease dated \_\_\_\_\_ (the "Lease") executed between \_\_\_\_\_ ("Landlord") and \_\_\_\_\_ ("Tenant"),  
for those premises located at \_\_\_\_\_ (the "Premises").

Ladies and Gentlemen:

The undersigned Tenant understands that you ("Purchaser") or your successors and assigns intend to acquire that certain property located at \_\_\_\_\_ (the "Property") from Landlord, and that you intend to arrange financing in connection with such acquisition, including from Lender. **[MODIFY, AS APPROPRIATE, IF ESTOPPEL IS REQUESTED IN CONNECTION WITH A SALE INDEPENDENT OF THE ACQUISITION]** Capitalized terms used but not defined herein have the respective meanings given to such terms in the Lease. The undersigned Tenant does hereby certify to Purchaser, its successors and assigns, their potential lenders and their participants, and their respective successors and assigns, as follows:

1. The Lease consists only of the documents specifically listed on Exhibit A attached hereto, and the documents listed on Exhibit A constitute a correct and complete copy of the Lease, and the Lease is the only agreement between Landlord and Tenant relating to the Property. **[LIST LEASE AND ANY AMENDMENTS IN EXHIBIT A]**

2. The Lease is valid and in full force and effect and is binding upon and enforceable against Tenant in accordance with its terms. Tenant has accepted possession of the Premises pursuant to the Lease and is currently in occupancy thereof. Tenant has not assigned, hypothecated or otherwise transferred its rights under the Lease or sublet any portion of the Premises except as follows:

\_\_\_\_\_.

3. The Lease has not been modified, supplemented, or amended except as indicated in the documents listed in Exhibit A.

4. Tenant has made no agreement with Landlord or any agent, representative or employee of Landlord concerning free rent, partial rent, rebate of rental payments or any other type of rental or other concession, except as follows: \_\_\_\_\_

\_\_\_\_\_.

5. All conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and, to Tenant's actual knowledge, Landlord is not in default thereunder. In addition, the undersigned has not delivered any notice to Landlord regarding a default by Landlord thereunder which remains uncured.

6. To Tenant's actual knowledge, Tenant is not the subject as debtor of any bankruptcy, insolvency or similar proceeding in any federal, state or other court or jurisdiction.

7. As of the date hereof, to Tenant's actual knowledge, there are no existing defenses or offsets, or, to the undersigned's actual knowledge, claims or any basis for a claim, that the undersigned has against Landlord. Tenant has not given Landlord written notice of any claim of any defenses, offsets or credits against rents payable under the Lease.

8. Tenant has not paid a security, letter of credit or other deposit with respect to the Lease, except

\_\_\_\_\_.

9. Tenant has fully paid rent through the month of \_\_\_\_\_, 20\_\_; the current base rent under the Lease is \$\_\_\_\_\_ per month. Tenant's base year for determining common area maintenance charges, insurance, real estate taxes, and other similar items is \_\_\_\_\_. Tenant is currently obligated to pay a proportionate share of common area maintenance charges, insurance, real estate taxes, and other similar items equal to \$\_\_\_\_\_ per month, based on a pro rata share of \_\_\_\_%. Tenant is current in the payment of any taxes, utilities, common area maintenance or other charges required to be paid by Tenant. All reconciliation of actual taxes and operating expenses for calendar year \_\_\_\_\_ and all previous calendar years with payments made by Tenant therefor have been made and a report thereof has been delivered to Tenant.

10. Tenant has not paid any rentals in advance except for the current month of \_\_\_\_\_.

11. The term of the Lease commenced on \_\_\_\_\_ and will terminate on \_\_\_\_\_. The square footage of the leasehold premises is \_\_\_\_\_ rentable square feet.

12. Tenant has no right to extend or renew the term of the Lease and has no right of first refusal or option to lease space in addition to the premises demised under the Lease except as follows: \_\_\_\_\_. Tenant has no right of first refusal or option to purchase the Property or any part thereof. Further, Tenant has no termination right under the Lease except as follows:

\_\_\_\_\_.

13. To Tenant's actual knowledge, any improvements required by the terms of the Lease to be made by Landlord have been completed to the satisfaction of Tenant in all material respects (and all construction allowances or payments to which Tenant is entitled under the Lease have been paid in full) except as follows: \_\_\_\_\_.

14. The person executing this Tenant Estoppel Certificate on behalf of the Tenant is duly authorized to do so.

15. Tenant acknowledges that Purchaser, its successors and assigns, and its potential lenders and participants (including Lender), and their respective successors and assigns, shall be entitled to rely upon this certification by Tenant in connection with such purchase and potential financing. [MODIFY, AS APPROPRIATE, IF ESTOPPEL IS REQUESTED IN CONNECTION WITH A SALE INDEPENDENT OF THE ACQUISITION]

Dated: \_\_\_\_\_, 20\_\_.

TENANT:

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT F**

**OUTLINE OF RESERVED AREA**

EXHIBIT F

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## EXHIBIT G

### JANITORIAL SPECIFICATIONS

#### Including Frequency of Operations

#### DESCRIPTION OF THE PROJECT

- 19 story Class A office tower and retail pavilion encompassing 3 levels of under ground parking and a 5 level above ground parking garage located at 101 North Brand Boulevard in the City of Glendale, Calif. containing 336,652 rentable square feet. Full janitorial service throughout office tower.
- Common area sidewalks, stairways, elevators and lobbies. No janitorial services provided inside retail spaces.

#### I. SCOPE

- A. Coverage.** The contractor shall perform the following specified services throughout the entire premises, including all office space, lobbies, corridors, sidewalks, plaza areas, basement areas, stairways, driveways, loading docks, fire towers, lavatories, passageways, service and utility areas, and elevator cabs, and shall render cleaning of tenant's lunch areas, computer rooms and other areas if Owner is obligated to maintain such areas. Mechanical areas are included at the discretion of the Owner.
- B. Quality.** The intent of this specification is that the Contractor will provide cleaning services of a character customarily provided in first-class office buildings in downtown Los Angeles, California, whether such services are included in the specifications or are special services requested by the Owner or a tenant of the Owner. Owner is to be the sole judge of said quality and required frequency of services to be provided herein.

#### II. GENERAL

- A. Schedule.** All nightly cleaning services shall be performed five (5) nights per week, Monday through Friday. No nightly services (except make-up work required) need be performed on Saturdays, Sundays, or legal holidays, unless directed by Owner. Nightly cleaning operations will begin after 6:00 p.m. Contractor acknowledges the following non-working holidays: New Years Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.
- B. Supervision.** Contractor shall employ competent supervisory personnel and place a qualified working night foreman in the building who will be capable of and will provide all reports required by Owner. The Supervisor shall provide schedules of all periodic cleaning, inspect the building on a regular basis, investigate all tenant complaints, report all items needing repair or maintenance and generally supervise the entire cleaning of the building. The Supervisor will also see to it that all employees report repairs needed or any other unusual or unsafe condition they encounter. Supervision will also ensure 1) All lighting is secured, 2) All suite and building entrances are secured during and after cleaning, 3) Window coverings and blinds are left in a orderly and uniform state, 4) All toilet seats raised in upright position, 5) Janitorial closet are supplies are kept in an orderly and clean state
- C. Personnel.** Contractor shall employ on the premises only persons skilled and trained in the work assigned to them. Contractor shall promptly furnish qualified substitutes for any employees that, in the sole opinion of the Owner, are unsatisfactory. All Contractor personnel shall be bonded, and Contractor shall pay all wages, payroll taxes and insurance, and all payments required by union contract, if any. All personnel shall provide a professional appearance and be uniformed and wear identification badges during working periods.
- D. Uniforms Supplies and Equipment.** Contractor shall furnish proper machinery and uniforms for the satisfactory performance of all services. Owner shall have the right to determine what constitutes satisfactory performance. All Contractor personnel shall be properly uniformed and display identification of the Contractor at all times. Owner shall have the right to select and/or approve uniforms worn by personnel in the building. Day personnel shall have five uniform changes per week. Night personnel shall have three uniform changes per week. Owner shall provide all hand soap, toilet paper, seat covers, trash liners, women's sanitary products and paper towels. Contractor shall provide all cleaning products and equipment.
- E. Rules.** Contractor shall at all times maintain good order among its employees and shall insure compliance with building rules and regulations, copies of which will be provided by the Owner from time to time.
- F. Security and Safety.** While cleaning the tenanted areas, Contractor's personnel will work behind locked doors and will not admit anyone into the suite, except authorized Contractor or Owner personnel, or tenants that have keys to the suite. On completion of nightly duties, all lights will be turned off, doors locked, draperies and blinds closed, and offices left in a neat and orderly condition. Security personnel shall be informed of any irregularities and will promptly notify Owner of such irregularities. Cleaning personnel shall be required to sign out at the security station before and after every shift. Contractor shall ensure that its agents, employees and operations conform with all local, state and federal health regulations, OSHA and shall assume full responsibility for any violations.
- G. Emergency Response Equipment.** Contractor to provide wet vacs and air dryers for emergency response to water spills and water infiltration.
- H. MSDS and Injury and Illness Program.** Contractor must have MSDS sheets on site for all chemicals utilized by janitorial staff. In addition, the Contractor is responsible for having an injury and illness program in place for janitorial staff in accordance with SB 196.
- I. Environmental Compliance/Recycling.** Contractor shall adhere to environmental regulations and procedures if such policies are implemented by management. Contractor shall ensure that all janitorial personnel are informed of management's building recycling program and shall adhere to the Building's recycling policies and procedures.

**III. GENERAL OFFICE AREAS**

**A. Daily Services - Five days per week.**

1. Waste baskets emptied and replaced with new liners as necessary.
2. Recycling waste to be bagged into colored recycling bag and separated from non-recyclable waste and properly disposed of in building's designated main recycling bin.
3. Tops of furniture, file, tables, etc., dusted - only when free of papers, folders, etc.
4. General floor area policed for scraps of paper, paper clips, staples, etc.
5. Tile floors swept and/or dust mopped.
6. Carpeted floors spot cleaned and vacuumed in traffic areas - fully vacuumed if required.
7. Doors and light switches spot cleaned to remove smudges and finger marks.
8. Finger marks cleaned from both sides of glass doors.
9. All lights turned out and all doors locked upon leaving each day.
10. Spot clean all cabinetry doors and counter tops in tenant kitchen areas as well as exterior of refrigerators, microwaves, dishwashing machines and trash compactors. Clean and polish all sink basins.
11. Blinds left in a closed position unless specified by Owner.

**B. Weekly Services.**

1. All furniture dusted completely - tops of desks, tables, credenzas, etc., should be free of all work papers, folders, etc.
2. Telephones wiped clean.
3. Smudges and finger marks removed from walls, partitions, partition glass, etc.
4. Lint brushed from seats, backs of upholstered chairs, sofas, etc.
5. Carpeted areas thoroughly vacuumed using a pile lifter to remove all embedded dirt and grit and edges detailed.
6. Office areas should be policed to assure quality of cleaning service.
7. Clean and sanitize all wastepaper baskets and refuse receptacles if liquids have leaked through plastic liner.

**C. Periodic Services.**

1. High dusting of corners, ledges, tops of drapes, ceiling diffusers, etc. will be performed on an as-needed basis, not less frequently than every 60 days.
2. Chair pads will be reversed and cleaned underneath once per month.
3. Uncarpeted floors will be cleaned and re-waxed every 30 days.

**IV. MAIN LOBBY – GROUND FLOOR**

**A. Daily Services-Five days per week.**

1. Sweep and mop granite floor including edges and corners, machine clean as necessary.
2. Spot clean all glass including low partitions, lobby side of all windows, glass doors and adjacent glass partitions. All glass to be left in a bright condition, free of streaks and dust.
3. All metal work to be wiped clean, including but not limited to door hardware, metal kick plates, perimeter metal base grills, handrails, waste paper receptacles, planters, elevator call button plates and metal signage. All metal to be left in a bright, streak-free condition.
4. All finger marks and smudges removed from all vertical surfaces taking care not to mar material surfaces.
5. Spot clean and dust all low reach areas including, but not limited to flower containers, structural and furniture ledges and all horizontal surfaces.
6. Polish all transoms, metal doors and frames.
7. Vacuum all carpeted areas, under and around furniture.
8. Spot clean directory board and graphics; wipe clean frames and ledges. Leave all surfaces streak free.
9. Spot clean and dust all furniture.

**B. Weekly**

1. Clean all door jambs and tracks to prevent build-up of oil and grease around door closure.
2. Thoroughly clean and vacuum all furniture.
3. Dust all high reach areas including but not limited to tops of doorframes and structural ledges.

**C. Monthly**

1. Heavy wash granite floor.
2. Dust or wash marble walls.
3. Clean/wash/shampoo lobby carpet and entrance mats.
4. Clean light overhangs.
5. Damp wipe fire extinguisher cabinets inside and out.

**D. Quarterly**

1. Clean all air diffuser grills.

**V. ELEVATORS – (INCLUDING FREIGHT ELEVATOR)**

**A. Daily Service – Five days per week.**

1. Dust light lenses, damp wipe, if necessary.
2. Damp wipe all walls in each cab.
3. Dust or damp wipe finish metal and floor buttons. Stainless steel cleaner to be utilized as necessary.
4. Clean, vacuum and polish all door tracks and treads.
5. Thoroughly clean, including edging along base, all elevator cab flooring.
6. Spot clean elevator carpet.
7. Spot clean pen and pencil markings in elevator granite grout.
8. Spot clean hall sides of doors, frames, hall call buttons, call lights and directional fixtures. Stainless steel cleaner to be utilized as necessary.
9. Damp wipe Evacuation Signage in Elevator Lobbies.

**B. Weekly**

1. Wash hall side of doors and frames.
2. Thoroughly shampoo elevator carpet.

**C. Monthly**

1. Dust ceiling vent grills.

**VI. ELEVATOR LOBBIES, ENTRANCES, CORRIDORS AND STAIRWAYS**

**A. Daily Service -Five days per week.**

1. Elevator lobbies vacuumed.
2. All bare floor areas swept or dust mopped.
3. All office entrance doors, doors to restrooms, doors to stairways, elevator doors, and doors facing elevator cabs spot cleaned.
4. Any spillage spot mopped.
5. Building directories spot cleaned, interiors dusted, and glass cleaned.
6. All drinking fountains cleaned, including sides, and polished as needed.
7. Fire hose and extinguisher cabinets cleaned inside and out.

**VII. FREIGHT ELEVATOR LOBBY VESTIBULES**

**A. Daily service – Five days per week.**

1. Sweep floors, then spot mop or wet mop.
2. Clean/wash transoms high and low.
3. Clean prints and marks from doors.
4. Spot clean walls.

**B. Monthly**

1. Strip floors, buff and recoat, as necessary.
2. Dust light fixtures.

**VIII. LOADING DOCK**

**A. Daily Service – Five days per week.**

1. Place all trash in dumpster(s).
2. Sweep dock and dock area.
3. Spot clean dock and corridor walls.
4. Damp wipe painted doors and doorframes.
5. Vacuum all carpeted areas and/or mats.
6. Damp mop all tiled floor surfaces.

**B. Monthly**

1. Steam and/or power wash all loading dock base, truck areas, and exterior (top and sides) of trash dumpsters.

**C. Semi-Annually**

1. Steam and/or power wash all loading dock vertical walls.

**IX. GENERAL**

- A.** Any common area street level or main floor glass, including high glass above and to side of entrance, to be cleaned outside every 90 days and inside every 6 months.
- B.** Policing of areas under desks, behind furniture and in areas where dirt can collect over a period of time should be checked monthly and cleaned as needed.
- C.** Exterior of building should be policed daily for debris and any unsightly condition taken care of. Also, parking areas adjacent to building should be policed.
- D.** Janitor closets, service manager office and storage areas should be maintained in a neat and orderly manner at all times.
- E.** Any condition of the building requiring repair or attention should be brought to the notice of the Operations Manager as soon as possible.
- F.** The janitorial supervisor should be notified when restroom supplies need reordering.
- G.** Janitor shall not remove materials from desks, shelves, counters, files, or any other areas for purpose of cleaning. Owner is not responsible for damaged or lost materials of Tenant caused by Janitor.
- H.** Contractor shall only remove articles left in normal trash disposal areas or when clearly marked "TRASH." Any questionable items are not to be removed from premises.
- I.** Janitor is responsible for removing any items larger than that which can be contained in a standard size wastebasket provided the items are clearly marked "TRASH" by the Tenant and left in a conspicuous area. Janitor shall also ensure recycled trash shall not be combined with regular waste and shall be bagged separately and disposed of properly into the Building's main recycling container.

**X. PUBLIC AREAS**

Including but not limited elevator lobbies, corridors, and all heavy traffic areas.)

**A. Daily service – Five days per week**

1. **Carpeted Floors.** All carpeted floors are to be vacuumed and edged with an edging tool, moving all sand urns, furniture and accessories. Baseboards will be wiped with a treated dust cloth after vacuuming. Carpet and baseboards will be spot cleaned where necessary
2. **Uncarpeted Floors.** All hard-surfaced floors are to be mopped with a treated dust mop and maintained as needed to preserve and retain uniformly bright appearance, with particular attention to edges, corners and behind doors. All spills and stains will be removed with damp mop or cloth. Baseboards will be wiped down with treated dust cloth.
3. **Walls.** All walls will be spot-cleaned to remove all smudges, stains and hand marks, using only clean water, or mild cleansing agent where necessary. When soap or cleaner is used, the wall will be rinsed with clear water and dried. No abrasive cleaner will be used.
4. **Service Car Areas.** The corridor area in front of each service car landing is to be protected each night by covering carpet with a protective drop cloth. Any spots or stains on carpet are to be cleaned immediately.
5. **Doors and Jambs.** All doors and jambs will be spot-cleaned to remove any hand marks, stains, spills or smudges. Use only clear water or a mild cleansing agent where necessary. Rinse with clear water and dry. Door edges and jambs will be dusted where necessary. When completed, doors and jambs shall have a uniformly clean appearance.
6. **Glass Doors and Partitions.** All glass doors and partitions, including directory glass, will be wiped clean, using an approved glass cleaner and will be left in a uniformly clean and bright condition, free of all dust, streaks and finger marks.
7. **Miscellaneous Metalwork.** All metalwork, such as mail chutes, door hardware and frames, metal lettering, and other metal accessories will be wiped clean and polished and left in uniformly clean and bright condition, free of all dust and streaks.
8. **Elevator Doors.** Elevator doors and frames will be wiped down and polished, removing all dust, marks, and stains and left in a uniformly clean and bright condition. Elevators will be wiped clean and all dirt and debris removed from door tracks, using vacuum and edging tool.
9. **Waste Receptacles/Cigarette Urns.** All public waste receptacles and cigarette urns will be thoroughly washed and cleaned, removing all debris and replacing liners and sand on cigarette urns as necessary. Materials are to be furnished by Contractor.
10. **Dusting.** All furniture, accessories, ledges and other horizontal surfaces, will be dusted using a treated dust cloth. All surfaces are to be left in a clean, dust-free condition. Spot cleaning will be performed as necessary.
11. **Furniture and Miscellaneous.** All furniture is to be wiped, using a treated dust cloth, paying particular attention to legs and surfaces near the floor. Vinyl or leather surfaces are to be dusted and spot-cleaned where necessary; cloth is to be vacuumed as necessary.
12. **Sidewalks.** Steam and/or power wash pavers and sidewalks. Remove water over-spray and wipe down all metal railings and doors upon completion of cleaning.

**B. Weekly**

1. **Uncarpeted Floors.** All hard surfaced floors will be wet-mopped, dried and spray buffed. All wax and marks will be removed from baseboards. Floors and baseboards are to be left in a uniformly bright, clean condition.
2. **Carpeted Floors.** All carpeted floors will be vacuumed using a pile lifter to remove all embedded dirt and grit and restore pile to a uniformly upright condition.
3. **Glass Partitions and Doors.** All interior glass (excluding perimeter windows) will be thoroughly cleaned and left in a uniformly bright, clean condition.

**C. Monthly**

1. **Uncarpeted Floors.** All hard surface floors are to be stripped, removing all wax and other coatings, down to the bare clean and dry floor surface, removing any marks or stains. Floors will then be refinished and polished and left in a uniformly bright, clean condition. Non-slip wax or approved floor finish will be applied as necessary. All finish spills and splashes will be completely removed from baseboards, walls, doors, and frames.
2. **High Dusting.** All high dusting beyond the reach of the normal day-to-day dusting will be accomplished monthly. This will include, but will not be limited to, all ledges, charts, picture frames, graphs, air diffusers and other horizontal surfaces.

3. Doors and Jambs. All painted doors and jambs will be washed down with clean water, using a mild cleansing agent where necessary, rinsed with clean water and dried, leaving no streaks, marks or smudges.

**D. Quarterly.**

1. Air Diffusers. All air diffusers will be thoroughly washed and dried and left in clean condition as often as necessary, but not less often than every three months.

**E. Annually.**

1. Light Lenses and Fixtures. All light lenses will be removed, fixtures and lenses washed clean and dried and lenses reinstalled as often as necessary, but not less often than once a year.
2. Walls. All walls will be washed down with clear water and dried as often as necessary, but not less often than once a year. Care should be taken not to mar material or flat painted surfaces. All wood surfaces will then be oiled with approved finish and wiped dry. When complete, the surfaces shall have a uniformly clean appearance.

**XI. STAIRWELLS AND LANDINGS**

**A. Daily service – Five days per week.**

1. Police for trash; remove gum.

**B. Weekly.**

1. Sweep/spot mop.
2. Clean prints and marks from doors.

**C. Monthly.**

1. Dust handrails and other vertical members.
2. Dust light fixtures.

**D. Quarterly.**

1. Dust all vents and painted piping.
2. Clean/wash transoms high and low.
3. Damp mop.

**XII. RESTROOMS**

**A. Daily service – Five days per week.**

1. Floors and Tile. Floors will be swept clean and wet-mopped using a germicidal detergent approved by owner. The floors will then be mopped dry and all watermarks and stains wiped from walls and metal partition bases.
2. Metal Fixtures. All mirrors, powder shelves, bright work (including exposed piping below wash basins), towel dispensers, receptacles and any other metal accessories will be washed and polished. Contractor shall use only non-abrasive, non-acidic material to avoid damage to metal fixtures.
3. Ceramic Fixtures. Scour, wash and disinfect all basins, bowls and urinals with Owner-approved germicidal detergent solution, including tile walls near urinals. Special attention must be taken to inspect and clean areas of difficult access, such as the underside of toilet bowl rings and urinals, to prevent building up of calcium and iron oxide deposits. Wash both sides of all toilet seats with approved germicidal solution and wipe dry. Toilet seats to be left in an upright position.
4. Walls and Metal Partitions. Damp wipe all metal toilet partitions and modesty screens and tiled walls using approved germicidal solution. All surfaces are to be wiped dry so that all wipe marks are removed and surfaces have a uniformly bright appearance. The top edges of all partitions, ledges and mirror tops will be dusted.
5. Empty All Receptacles. Waste, sanitary napkins, ashtrays, etc.
6. All Dispensers to be filled. Fill toilet paper, toilet seat cover, hand towel, soap, sanitary napkin and air freshener dispensers as necessary. Change batteries in air freshener dispensers as necessary. Replace lined disposal bags in sanitary napkin receptacles.

**XIII. EQUIPMENT MAINTENANCE**

**A. Weekly.**

1. Perform routine equipment maintenance.
2. Perform routine inspections of all equipment.

**B. As needed.**

1. Maintain an inventory card system that tracks dates of inspection, results of inspection and repairs performed.

**DAYPORTER**

Day Porter service shall be provided from 6:00 a.m. to 6:00 p.m. Monday through Friday. Saturdays, Sundays and Holidays are from 8:00 am to 4:00 pm.

The duties of the Day Porter, shall be, but are not limited to, the following:

1. Spot clean the lobby glass doors.
2. Polish brass/chrome on lobby doors.
3. Vacuum elevator cabs; wipe cab doors, walls and tops twice a day.
4. Inspect parking lot and structure where applicable and pick up any trash.
5. Clean ashtrays on the Plaza.
6. Empty and clean trash receptacles.
7. Check restrooms twice daily.
8. Vacuum lobby once a day or as needed.
9. Sweep stairwells and landings as needed.
10. Clean outside signage every week.
11. Change lights and clean lamp shields as requested.
12. Remove all debris from landscaped areas as needed.
13. Clean telephone rooms as needed.
14. Sweep buildings entrances.
15. Clean and remove smudges, marks on walls, doors and wall coverings.
16. Report any lights out (exit, directory boards, etc.).
17. Report any solicitors to the Management Office.
18. Pick up work orders each morning and at lunch time from the Management Office.
19. Sweep stairs of parking structures, dust handrails and card readers where applicable.
20. Clean trash enclosures twice a week.
21. Respond to calls placed by the Management Office to perform other service duties.
22. Where applicable, thoroughly steam clean Plaza in front of building as scheduled by management. Remove excess water. Use blower on Plaza twice per week.
23. Where applicable, police plaza to keep ground and planters free of paper, debris, etc. Policing should be scheduled at high traffic times each day. Empty all trash receptacles.
24. Vacuum carpeted floors or dust tiled floors.
25. Dust mop lobby floors twice daily.
26. Wash glass entrance doors as scheduled by management; polish chrome kick plates and thresh holds at base of doors.
27. Polish elevator cab railings and doors and main lobby call buttons.

**EXHIBIT H**

**FORM OF SNDA FROM EXISTING LENDER**

PRIII GLENDALE, LLC  
(Lender)

- and -

LEGALZOOM.COM, INC.,  
a Delaware corporation  
(Tenant)

**SUBORDINATION, NON-DISTURBANCE  
AND ATTORNMENMENT AGREEMENT**

Dated: August \_\_, 2010  
Location: Glendale City Center  
101 N. Brand Blvd.  
Glendale, California 91203  
County: Los Angeles

PREPARED BY AND UPON  
RECORDATION RETURN TO:

Goodwin Procter LLP  
53 State Street  
Boston, MA 02109  
Attention: Mark J. Lochiatto, Esq.

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EXHIBIT H  
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**SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT**

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (the "Agreement") is made as of the \_\_\_ day of August, 2010, by and between PRIII GLENDALE, LLC, a Delaware limited liability company, having an address at c/o Prudential Real Estate Investors, 8 Campus Drive, Parsippany, New Jersey 07054, individually ("Lender") and LEGALZOOM.COM, INC., a Delaware corporation, having an address at 7083 Hollywood Blvd., Suite 180, Los Angeles, California 90028, Attention: Legal Department ("Tenant"), with reference to the following facts:

**RECITALS:**

A. Lender is the present owner and holder of a certain deed of trust and security agreement (together with any and all extensions, renewals, substitutions, replacements, amendments, modifications and/or restatements thereof, the "Security Instrument") dated July 26, 2007, given by Landlord (defined below) to Lender which encumbers the fee estate of Landlord in certain premises described in Exhibit A attached hereto (the "Property") and which secures the payment of certain indebtedness owed by Landlord to Lender evidenced by a certain promissory note dated July 26, 2007, given by Landlord to Lender (the note together with all extensions, renewals, modifications, substitutions and amendments thereof shall collectively be referred to as the "Note");

B. Tenant is the holder of a leasehold estate in a portion of the Property (the "Premises") under and pursuant to the provisions of a certain Office Lease dated August \_\_, 2010, between Legacy Partners II Glendale N Brand, LLC, a Delaware limited liability company, as landlord ("Landlord"), and Tenant, as tenant (such lease, as modified and amended being hereinafter referred to as the "Lease"). Capitalized terms used herein and not defined shall have the meanings assigned thereto in the Lease; and

C. Tenant has agreed to subordinate the Lease to the Security Instrument and to the lien thereof and Lender has agreed to grant non-disturbance to Tenant under the Lease on the terms and conditions hereinafter set forth.

**AGREEMENT:**

For good and valuable consideration, Tenant and Lender agree as follows:

1. **SUBORDINATION.** Subject to the terms of this Agreement, the Lease and all of the terms, covenants and provisions thereof and all rights, remedies and options of Tenant thereunder are and shall at all times continue to be subject and subordinate in all respects to the terms, covenants and provisions of the Security Instrument and to the lien thereof, including without limitation, all renewals, increases, modifications, spreaders, consolidations, replacements and extensions thereof and to all sums secured thereby and advances made thereunder with the same force and effect as if the Security Instrument had been executed, delivered and recorded prior to the execution and delivery of the Lease.
2. **NON-DISTURBANCE.** If any action or proceeding is commenced by Lender for the foreclosure of the Security Instrument or the sale of the Property, Tenant shall not be named as a party therein unless such joinder shall be required by law, provided, however, such joinder shall not result in the termination of the Lease or disturb the Tenant's possession or

use of the premises demised thereunder, and the sale of the Property in any such action or proceeding and the exercise by Lender of any of its other rights under the Note or the Security Instrument shall be made subject to all rights of Tenant under the Lease, provided that at the time of the commencement of any such action or proceeding or at the time of any such sale or exercise of any such other rights (a) the Lease shall be in full force and effect and (b) Tenant shall not be in default under any of the terms, covenants or conditions of the Lease or of this Agreement on Tenant's part to be observed or performed beyond applicable cure and grace periods.

3. **ATTORNMEN**T. If Lender or any other subsequent purchaser of the Property shall become the owner of the Property by reason of the foreclosure of the Security Instrument or the acceptance of a deed or assignment in lieu of foreclosure or by reason of any other enforcement of the Security Instrument (Lender or such other purchaser being hereinafter referred as "Purchaser"), and the conditions set forth in Section 2 above have been met at the time Purchaser becomes owner of the Property, the Lease shall not be terminated or affected thereby but shall continue in full force and effect as a direct lease between Purchaser and Tenant upon all of the terms, covenants and conditions set forth in the Lease and in that event, Tenant agrees to attorn to Purchaser and Purchaser by virtue of such acquisition of the Property shall be deemed to have agreed to accept such attornment, provided, however, that Purchaser shall not be (a) liable for the failure of any prior landlord (any such prior landlord, including Landlord, being hereinafter referred to as a "Prior Landlord") to perform any obligations of Prior Landlord under the Lease which have accrued prior to the date on which Purchaser shall become the owner of the Property; provided, however, (i) the foregoing shall not be deemed to relieve Purchaser from the obligation to perform any obligation of lessor under the Lease that is continuing in nature and remains unperformed at the time the Purchaser succeeds to the interest of Landlord under the Lease, and (ii) Purchaser shall not be obligated (x) to perform or complete any construction work or improvements for the purposes of preparing the Premises, the Building, the Project or the Property for Tenant's occupancy pursuant to the provisions of the Lease, or (y) to pay to Tenant any sums contemplated by the Lease in connection with the build out or improvement of the Premises, the Building, the Project or the Property, including, without limitation, the Tenant Improvement Allowance and the Space Plan Allowance, (b) subject to any offsets, defenses, abatements or counterclaims which shall have accrued in favor of Tenant against any Prior Landlord prior to the date upon which Purchaser shall become the owner of the Property; provided, however, Lender expressly acknowledges and agrees that any Purchaser will recognize and honor the rights of Tenant to, in each case subject to and in accordance with the terms and conditions of the Lease, (i) offset any amounts due to the Tenant for the Tenant Improvement Allowance or Space Plan Allowance against Tenant's obligation to pay Rent pursuant to Section 24.32 of the Lease, and (ii) receive the abatement of the Base Rent due for the Abatement Period pursuant to Section 3.2 of the Lease; (c) liable for the return of rental security deposits, if any, paid by Tenant to any Prior Landlord in accordance with the Lease unless such sums are actually received by Purchaser, (d) bound by any payment of rents, additional rents or other sums which Tenant may have paid more than one (1) month in advance to any Prior Landlord unless (i) such sums are actually received by Purchaser, or (ii) such prepayment shall have been expressly approved of by Purchaser, or (e) bound by any agreement terminating or amending or modifying the rent, term, commencement date or other material term of the Lease, or any voluntary surrender of the premises demised under the Lease, made without Lender's or Purchaser's prior written consent prior to the time Purchaser succeeded to the Landlord's Interest, which consent shall not be unreasonably

withheld, conditioned or delayed (except to the extent that the Lease may specifically contemplate any amendment or modification thereof). In the event that any liability of Purchaser does arise pursuant to this Agreement or the Lease, such liability shall be limited and restricted to Purchaser's interest in the Property (including all sales, insurance, rental and condemnation proceeds therefore) and shall in no event exceed such interest.

4. **NOTICE TO TENANT.** After notice is given to Tenant by Lender that the Landlord is in default under the Note and the Security Instrument and that the rentals under the Lease should be paid to Lender pursuant to the terms of the assignment of leases and rents executed and delivered by Landlord to Lender in connection therewith, Tenant (without any duty to inquire as to the veracity of Lender's claims) shall thereafter pay to Lender or as directed by the Lender, all rentals and all other monies due or to become due to Landlord under the Lease and Landlord hereby expressly authorizes Tenant to make such payments to Lender, agrees that any amounts paid by Tenant to Lender shall constitute payments under the terms of the Lease and shall be credited by Landlord against Tenant's obligations under the Lease, and hereby releases and discharges Tenant from any liability to Landlord on account of any such payments.
5. **NOTICE TO LENDER AND RIGHT TO CURE.** Tenant shall notify Lender of any default by Landlord under the Lease and agrees that, notwithstanding any provisions of the Lease to the contrary, no notice of cancellation thereof or of an abatement shall be effective unless Lender shall have received notice of default giving rise to such cancellation or abatement and shall have failed within thirty (30) days after receipt of such notice to cure such default, or if such default cannot be cured within thirty (30) days, shall have failed within thirty (30) days after receipt of such notice to commence and thereafter diligently pursue any action necessary to cure such default. Notwithstanding the foregoing, Lender shall have no obligation to cure any such default.
6. **NOTICES.** All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person with receipt acknowledged, (ii) one (1) Business Day (hereinafter defined) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Tenant:

LegalZoom.com, Inc.  
7083 Hollywood Blvd., Suite 180  
Los Angeles, California 90028  
Attention: Legal Department

If to Lender:

PRIII Glendale, LLC  
c/o Prudential Real Estate Investors  
8 Campus Drive  
Parsippany, New Jersey 07054

Attention: Soultana Reigle

and

PRIII Glendale, LLC  
c/o Prudential Real Estate Investors  
8 Campus Drive  
Parsippany, New Jersey 07054  
Attention: Joan Hayden

with a copy to:

Goodwin Procter LLP  
53 State Street  
Boston, Massachusetts 02109  
Attention: Diane J. McCabe, Esq.

or addressed as such party may from time to time designate by written notice to the other parties. For purposes of this Section 6, the term "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in the state where the Property is located. Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of Lender, Tenant and Purchaser and their respective successors and assigns.
8. GOVERNING LAW. This Agreement shall be deemed to be a contract entered into pursuant to the laws of the State where the Property is located and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State where the Property is located without regard to choice of law principles.
9. MISCELLANEOUS. This Agreement may not be modified in any manner or terminated except by an instrument in writing executed by the parties hereto. If any lawsuit, arbitration or other proceeding is brought under this Agreement, the prevailing party shall be entitled to recover the reasonable fees and costs of its attorneys in such proceeding. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision. This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Lender and Tenant have duly executed this Agreement as of the date first above written.

**LENDER:**



**PRIII GLENDALE, LLC**, a Delaware limited liability company

By: **PRIII GLENDALE MEMBER, LLC**, a Delaware limited liability company,  
its sole member

By: **PRISA III INVESTMENTS, LLC**, a Delaware limited liability company,  
its sole member

By: **PRISA III REIT OPERATING LP**, a Delaware limited partnership,  
its sole member

By: **PRISA III OP GP, LLC**, a Delaware limited liability company,  
its general partner

By: **PRISA III FUND LP**, a Delaware limited partnership,  
its manager

By: **PRISA III FUND GP, LLC**, a Delaware limited liability company,  
its general partner

By: **PRISA III FUND PIM, LLC**,  
a Delaware limited liability company,  
member

By: **PRUDENTIAL INVESTMENT MANAGEMENT, Inc.**, a New Jersey corporation,  
its sole member

By: \_\_\_\_\_  
Name:  
Title:

[Signatures continue on following page.]

XXXXXXXXXX

TENANT:

**LEGALZOOM.COM, INC.,**  
a Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\*\*\*\*\*

The undersigned accepts and agrees to the provisions of Section 4 hereof.

**LANDLORD:**

**LEGACY PARTNERS II GLENDALE N BRAND, LLC,**  
a Delaware limited liability company

By: Legacy Partners II Glendale N Brand Investments I, LLC,  
a Delaware limited liability company,  
its sole and managing member

By: Legacy Partners II Glendale N Brand Investments II, LLC,  
a Delaware limited liability company,  
its sole and managing member

By: Legacy Partners II Glendale N Brand Co-Invest, LLC,  
a Delaware limited liability company,  
its sole and managing member

By: Legacy Partners Realty Fund II, LLC,  
a Delaware limited liability company,  
its managing member

By: Legacy Partners Investment Management  
Services, LLC, a Delaware limited liability  
company, its managing Member

By: \_\_\_\_\_  
Name:  
Title:

ACKNOWLEDGMENTS

State of New Jersey  
County of Morris

On \_\_\_\_\_ 2010, before me, \_\_\_\_\_, a notary public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of New Jersey that the foregoing is true and correct.

Witness my hand and official seal.

Signature \_\_\_\_\_ (Seal)

State of \_\_\_\_\_  
County of \_\_\_\_\_

On \_\_\_\_\_ 2010, before me, \_\_\_\_\_, a notary public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of \_\_\_\_\_ that the foregoing is true and correct.

Witness my hand and official seal.

Signature \_\_\_\_\_ (Seal)

\*\*\*\*\*



State of \_\_\_\_\_  
County of \_\_\_\_\_

On \_\_\_\_\_, 2010, before me, \_\_\_\_\_, a notary public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of \_\_\_\_\_ that the foregoing is true and correct.

Witness my hand and official seal.

Signature \_\_\_\_\_ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

Situated in the City of Glendale, County of Los Angeles, State of California, and described as follows:

PARCEL 1 AND A PORTION OF PARCEL 2, PARCEL MAP NO. 1583 IN THE CITY OF GLENDALE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP FILED IN BOOK 269, PAGES 31 AND 32 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWESTERLY CORNER OF SAID PARCEL 2, SAID PARCEL MAP; THENCE NORTHERLY ALONG WESTERLY LINE OF SAID PARCEL, NORTH 00 DEGREES 06' 11" WEST 6.00 FEET; THENCE NORTH 89 DEGREES 55' 02" EAST 94.87 FEET; THENCE NORTH 00 DEGREES 04' 58" WEST 5.00 FEET; THENCE NORTH 89 DEGREES 55' 02" EAST 96.00 FEET; THENCE NORTH 53 DEGREES 51' 26" EAST 47.22 FEET TO A POINT ON THE SOUTHEASTERLY LINE OF SAID PARCEL 2, SAID POINT ALSO BEING A BEGINNING OF A NON-TANGENT CURVE CONCAVE SOUTHEASTERLY AND HAVING A RADIUS OF 100.00 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 54 DEGREES 54' 45" WEST; THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 15 DEGREES 27' 25", AN ARC DISTANCE OF 26.98 FEET; THENCE ALONG THE GENERAL SOUTHEASTERLY AND SOUTHERLY LINES OF SAID PARCEL 2 THE FOLLOWING TWO COURSES; SOUTH 53 DEGREES 51' 26" WEST 25.36 FEET AND SOUTH 89 DEGREES 55' 02" WEST 196.15 FEET TO THE POINT OF BEGINNING, AS SET FORTH IN THAT CERTAIN "CERTIFICATE OF COMPLIANCE", RECORDED MARCH 4, 2003 AS INSTRUMENT NO. 03-627532. EXCEPT FROM SAID PARCEL 1 OF PARCEL MAP NO. 1583, ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER ALL OF THE ABOVE DESCRIBED REAL PROPERTY, BUT WITHOUT ANY RIGHT TO PENETRATE, USE OR DISTURB THE SURFACE OF SAID PROPERTY OR ANY PORTION OF SAID PROPERTY WITHIN 500 FEET OF THE SURFACE THEREOF.

APN: 5642-002-090 and 5642-002-092

EXHIBIT I

SUPERIOR RIGHTS

None.

EXHIBIT I  
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EXECUTION COPY

RIDER

EXTENSION OPTIONS RIDER

This Extension Options Rider (“**Extension Rider**”) is made and entered into by and between LEGACY PARTNERS II GLENDALE N BRAND, LLC, a Delaware limited liability company (“**Landlord**”), and LEGALZOOM.COM, INC., a Delaware corporation (“**Tenant**”), and is dated as of the date of the Lease (“**Lease**”) by and between Landlord and Tenant to which this Extension Rider is attached. The agreements set forth in this Extension Rider shall have the same force and effect as if set forth in the Lease. To the extent the terms of this Extension Rider are inconsistent with the terms of the Lease, the terms of this Extension Rider shall control.

1. **Extension Option Rights.** Landlord hereby grants Tenant two (2) options (each, an “**Extension Option**,” and collectively, the “**Extension Options**”) to extend the Lease Term for a period of five (5) years each (each, an “**Extension Option Term**”, and collectively, the “**Extension Option Terms**”), which Extension Options shall be exercisable only by written Exercise Notice (as defined below) delivered by Tenant to Landlord as provided below. Upon the proper exercise of an Extension Option, the Lease Term shall be extended for the applicable Extension Option Term. Notwithstanding the foregoing, at Landlord’s option, in addition to any other remedies available to Landlord under this Lease, at law or in equity, Tenant shall not have the right to extend the Lease Term for an Extension Option Term if as of the date of delivery of the Exercise Notice by Tenant, or as of the end of the initial Lease Term or first Extension Option Term, as applicable, Tenant is in monetary default under the Lease beyond all applicable notice and cure periods set forth in the Lease. The rights contained in this Extension Rider shall be personal to the Original Tenant (as defined in the Lease) or an Affiliate Assignee and may only be exercised by the Original Tenant or such Affiliate Assignee (and not any other assignee, sublessee or other transferee of Tenant’s interest in the Lease) if the Original Tenant, together with all Affiliates, collectively occupy at least fifty percent (50%) of the entire Premises as of the date of the Exercise Notice (i.e., Tenant has not subleased more than fifty percent (50%) of the Premises other than to an Affiliate), but no less than the full floor on the eleventh (11<sup>th</sup>) floor of the Building or no less than all of the spaced leased by Tenant on the tenth (10<sup>th</sup>) floor of the Building as of the date of the Lease.

2. **Extension Option Rent.** The rent payable by Tenant during each of the Extension Option Terms (the “**Extension Option Rent**”) shall be equal to the Fair Market Rental Rate for the Premises. As used herein, the “**Fair Market Rental Rate**” shall mean the rent (including additional rent and considering any “base year” or “expense stop” applicable thereto), including all escalations, at which tenants, as of the commencement of the applicable Extension Option Term, are leasing non-sublease, non-renewal, non-encumbered, non-equity, non-expansion space comparable in size, location and quality to the Premises, for a similar lease term, in an arm’s length transaction, which comparable space is located in the Building and in the “Comparable Buildings,” as that term is defined in Section 1.1 of the Lease (collectively, the “**Comparable Transactions**”), taking into consideration only the following concessions (the “**Concessions**”): (i) rental abatement concessions, if any, being granted such tenants in connection with such comparable space, including for any Expansion Space, any “build-out” time period, (ii) tenant improvements or allowances provided or to be provided for such comparable space, taking into account, and deducting the value of, the existing improvements in the Premises, such value to be based upon the age, condition, design, quality of finishes, and layout of the improvements and the extent to which the same can be utilized by a general office user, and (iii) all other reasonable monetary and non-monetary concessions being granted such tenants in connection with such comparable space; provided, however, that in calculating the Fair Market Rental Rate, consideration shall be given to the fact that Landlord and landlords are or are not paying real estate brokerage commissions in connection with such Comparable Transactions. In analyzing such comparable spaces, due consideration shall be given to the method by which the square footage of such space has been calculated. There shall be a then current Base Year for Operating Expenses, Tax

RIDER

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EXECUTION COPY

Expenses and Utilities Costs during each Extension Option Term. All other terms and conditions of the Lease shall apply throughout each of the Extension Option Terms, if applicable; however, Tenant shall, in no event, have the option to extend the Lease Term beyond the second Extension Option Term described in Section 1 above. The Fair Market Rental Rate shall include the periodic rental increases that would be included for space leased for the period of the applicable Extension Option Term.

3. Exercise of Extension Options. The options contained in this Extension Rider shall be exercised by Tenant, if at all, only in the following manner: (i) Tenant shall deliver written notice (“**Interest Notice**”) to Landlord not less than eleven (11) months prior to the expiration of the initial Lease Term or first Extension Option Term, as applicable, stating that Tenant may be interested in exercising its option; (ii) Landlord, after receipt of Tenant’s notice, shall deliver notice (the “**Extension Option Rent Notice**”) to Tenant not less than ten (10) months prior to the expiration of the initial Lease Term or first Extension Option Term, as applicable, setting forth the Extension Option Rent which shall be based on Landlord’s good faith determination of the applicable Fair Market Rental Rate; and (iii) whether or not Tenant shall have delivered an Interest Notice, if Tenant wishes to exercise such option, Tenant shall, on or before the date (the “**Exercise Date**”) which is nine (9) months prior to the expiration of the initial Lease Term or first Extension Option Term, as applicable, exercise the option by delivering written notice (the “**Exercise Notice**”) thereof to Landlord. Concurrently with Tenant’s delivery of the Exercise Notice, Tenant may, at its option, object, in writing, to Landlord’s determination of the Extension Option Rent for the applicable Extension Option Term set forth in the Extension Option Rent Notice, in which event such Extension Option Rent shall be determined pursuant to Section 4, below. If Tenant did not deliver an Interest Notice but shall timely deliver an Exercise Notice in accordance with the terms hereof, the parties shall follow the procedure, and the Extension Option Rent shall be determined, as set forth in Section 4, below. Tenant may only exercise its second Extension Option hereunder if it has timely and properly exercised its first Extension Option.

4. Determination of Extension Option Rent. If Tenant timely objects in writing to Landlord’s determination of the Extension Option Rent concurrently with the delivery of Tenant’s Exercise Notice as referenced above, or in the event that Tenant did not deliver an Interest Notice but timely delivers an Exercise Notice, Landlord and Tenant shall promptly meet and attempt to agree upon the Extension Option Rent for the applicable Extension Option Term. If Landlord and Tenant are unable to agree on the Extension Option Rent for the applicable Extension Option Term within thirty (30) days of receipt by Landlord of the Exercise Notice for the applicable Extension Option Term (in any event, the “**Outside Agreement Date**”), then each party shall make a separate determination of the Extension Option Rent within ten (10) business days following the applicable Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance with the following. Landlord and Tenant each, at its cost and by giving notice to the other party, shall appoint a competent and impartial commercial real estate broker (hereinafter “**Broker**”) with at least ten (10) years’ full-time commercial real estate brokerage experience leasing commercial high-rise properties in the Tri Cities area to set the Extension Option Rent for the applicable Extension Option Term. If either Landlord or Tenant does not appoint a broker within ten (10) business days after the other party has given notice of the name of its broker, the single broker appointed shall be the sole broker and shall conclusively determine the Extension Option Rent for the applicable Extension Option Term. If two (2) brokers are appointed by Landlord and Tenant as stated in this paragraph, they shall meet promptly and attempt to set the Extension Option Rent. In addition, if either of the first two (2) brokers fails to submit their opinion of the Extension Option Rent within the time frames set forth below, then the single Extension Option Rent submitted shall automatically be the Extension Option Rent for the applicable Extension Option Term and shall be binding upon Landlord and Tenant. If the two (2) brokers are unable to agree within ten (10) days after the second broker has been appointed, they shall attempt to select a third broker, meeting the qualifications stated in this paragraph within ten (10) days after the last day the two (2) brokers are given to set the Extension Option Rent. If the two (2) brokers are unable to agree on the third broker, either Landlord or Tenant by giving ten (10) days’ written notice to the other party, can apply to the Presiding Judge of the Superior Court of the county in which the Premises is located for the selection of a third broker who meets the qualifications stated in this paragraph. Landlord and Tenant each shall bear one-half (1/2) of the cost of appointing the third broker and of paying

RIDER

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the third broker's fee. The third broker, however selected, shall be a person who has not previously acted in any capacity for either Landlord or Tenant. Within fifteen (15) days after the selection of the third broker, the third broker shall select one of the two Extension Option Rents submitted by the first two brokers as the Extension Option Rent for the Premises and term at issue. The determination of the Extension Option Rent by the third broker shall be conclusive and binding upon Landlord and Tenant.

Upon determination of the Extension Option Rent for the applicable Extension Option Term in accordance with the terms outlined above, Landlord and Tenant shall immediately execute an amendment to the Lease. Such amendment shall set forth among other things, the Extension Option Rent for the applicable Extension Option Term and the actual commencement date and expiration date of the applicable Extension Option Term. Tenant shall have no other rights to extend the Lease Term under this Extension Rider following the options set forth herein unless Landlord and Tenant otherwise agree in writing.

5. Condition of Premises. If Tenant timely and properly exercises its Extension Options, in strict accordance with the terms contained herein, Tenant shall accept the Premises in its then "AS-IS" condition and, accordingly, Landlord shall not be required to perform any additional improvements to the Premises, provided that an allowance for tenant improvements may be included within the Extension Option Rent.

6. Limitations on, and Conditions to, Extension Options. Notwithstanding anything above to the contrary, at Landlord's option, all rights of Tenant under this Extension Rider shall terminate and be of no force or effect if any of the following individual events occur or any combination thereof occur: (1) Tenant has assigned its rights and obligations under all or part of the Lease to other than an Affiliate or Tenant has subleased more than forty percent (40%) of the Premises in a transfer to other than an Affiliate; and/or (2) Tenant has failed to exercise properly any preceding Extension Option in a timely manner in strict accordance with the provisions of this Extension Rider and/or (3) Tenant has exercised any termination right set forth in Section 2.2 of the Lease.

7. Time is of the Essence. Time is of the essence with respect to each and every time period described in this Extension Rider.

RIDER

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EXECUTION COPY

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (*“Amendment”*) is made and entered into effective as of December 22, 2010, by and between LEGACY PARTNERS II GLENDALE N BRAND, LLC, a Delaware limited liability company (*“Landlord”*) and LEGALZOOM.COM, INC., Delaware corporation (*“Tenant”*).

RECITALS

Landlord and Tenant entered into that certain Office Space Lease dated as of August 26, 2010 (the *“Lease”*), pursuant to which Landlord leased to Tenant and Tenant leased from Landlord certain *“Premises”*, described in the Lease, in that certain Building located at Glendale City Center, Glendale, California 91203.

Except as otherwise set forth herein, all capitalized terms used in this Amendment shall have the same meaning as such terms have in the Lease.

Landlord and Tenant desire to amend the Lease to confirm the Lease Commencement Date and the Lease Expiration Date of the Lease Term, as hereinafter provided.

**NOW, THEREFORE**, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Confirmation of Dates.** The parties hereby confirm that (a) the Premises are Substantially Complete, and (b) the Lease Term will commence as of January 24, 2011, for a term of 120 months and 8 days ending on January 31, 2021 (unless sooner terminated as provided in the Lease).

2. **No Further Modification.** Except as set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this Amendment to Lease has been executed as of the day and year first above written.

“Landlord”:

LEGACY PARTNERS II GLENDALE N BRAND, LLC,  
a Delaware limited liability company,  
Owner

By: LEGACY PARTNERS COMMERCIAL, L.P.,  
a California limited partnership,  
as Property Manager and Agent for Owner

By: LEGACY PARTNERS COMMERCIAL,  
INC.,  
General Partner

By: \_\_\_\_\_  
Debra Smith

Its: Chief Administrative Officer  
DRE #00975555  
BL DRE #01464134

“Tenant”:

LEGALZOOM.COM, INC., a Delaware corporation

By: /s/ Frank Monestere

Name: Frank Monestere

Title: President, COO

By: /s/ Charles Rampenthal

Name: Charles Rampenthal

Title: Secretary



## SECOND AMENDMENT TO OFFICE LEASE

This Second Amendment to Office Lease (this "**Second Amendment**") is made and entered into as of January 26, 2018, by and between BCAL 101 NORTH BRAND PROPERTY LLC, a Delaware limited liability company ("**Landlord**"), LEGALZOOM.COM, INC., a Delaware corporation ("**Tenant**").

### RECITALS:

A. Landlord (as successor-in-interest to Legacy Partners II Glendale N Brand, LLC) and Tenant are parties to that certain Office Lease, dated August 26, 2010 (the "**Original Lease**"), as amended by that certain First Amendment to Lease, dated December 22, 2010 (the "**First Amendment**" and collectively referred to herein with the Original Lease as the "**Current Lease**"), pursuant to which Landlord leases to Tenant and Tenant leases from Landlord 49,008 rentable square feet of space (the "**Existing Premises**") located on the tenth (10<sup>th</sup>) and eleventh (11<sup>th</sup>) floors of the building located at 101 North Brand Boulevard, Glendale, California (the "**Building**").

B. Landlord and Tenant desire to amend the Current Lease upon the terms and conditions set forth in this Second Amendment.

### AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows.

**1. Capitalized Terms.** All capitalized terms when used herein shall have the same meaning as is given such terms in the Current Lease, unless expressly superseded by the terms of this Second Amendment. The term "**Lease**", where used in the Current Lease and this Second Amendment, shall hereafter refer to the Current Lease, as amended by this Second Amendment.

#### **2. Expansion Premises.**

**2.1 In General.** Effective as of the "**Expansion Commencement Date**," as that term is defined below, Tenant shall lease from Landlord and Landlord shall lease to Tenant 4,974 rentable square feet of space located on the fourteenth (14<sup>th</sup>) floor of the Building known as Suite 1450, as more particularly set forth on **Exhibit A** attached hereto and incorporated herein by this reference (the "**Expansion Premises**"). As used herein, the "**Expansion Commencement Date**" shall mean the date that is the earlier to occur of (i) the date Tenant commences the conduct of business from the Expansion Premises, and (ii) March 1, 2018. The term of Tenant's lease of the Expansion Premises shall continue through and include the Lease Expiration Date (which is January 31, 2021), unless the Current Lease, as amended hereby, is sooner terminated or extended as provided for in the Current Lease, as amended hereby. Consequently, effective upon the Expansion Commencement Date, the "**Premises**" (and all references to the "**Premises**" in the Current Lease and herein) shall consist of and collectively refer to the Existing Premises and the Expansion Premises, which shall contain 53,982 rentable square feet of space (which rentable square footage shall not be subject to re-measurement or modification). The term of Tenant's lease of the Expansion Premises commencing as of the Expansion Commencement Date and continuing through and including the Lease Expiration Date is referred to in this Second Amendment as the "**Expansion Term**." Landlord and Tenant hereby acknowledge and agree that Tenant's "**Extension Options**", as that term is defined in the Extension Options Rider attached to the Original Lease, shall be applicable to the entire Premises (and only the entire Premises).

**2.2 Delivery; Condition of Expansion Premises.** Landlord shall deliver the Expansion Premises to Tenant in the “Delivery Condition,” as that term is defined below, on or before February 10, 2018. As used in this Second Amendment, the “Delivery Condition” shall mean that the Expansion Premises is “broom clean” and free of any tenants and occupants and of the furniture, trade fixtures, and equipment of any prior tenants and occupants. Upon Landlord’s delivery of the Expansion Premises, Tenant shall accept the Expansion Premises in its then existing, “as is” condition, provided that the foregoing shall not serve to limit or alter (i) Landlord’s obligation to deliver the Expansion Premises in the Delivery Condition, (ii) Landlord’s repair, maintenance and replacement obligations as and to the extent set forth in the Current Lease, and (iii) Landlord’s obligations with respect to the condition of the base Building systems and equipment, as provided for in the next succeeding sentence. As of the Expansion Commencement Date, Landlord shall cause the base Building systems and equipment that serve the Expansion Premises (including the base building restrooms located on the fourteenth (14th) floor) to be in good working order, condition and repair. Except as set forth in Section 4 of this Second Amendment or in this Section 2.2, Landlord shall not be obligated to provide or pay for any improvements or alterations related to the Expansion Premises. Subject to the foregoing, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Expansion Premises or with respect to the suitability of the Expansion Premises for the conduct of Tenant’s business.

**2.3 Notice of Lease Term Dates.** Within thirty (30) days after the occurrence of the Expansion Commencement Date, Landlord shall deliver to Tenant a commercially reasonable notice pursuant to which Landlord and Tenant shall confirm the date of the occurrence of the Expansion Commencement Date (the “**Notice of Lease Term Dates**”). Tenant shall execute and return any such notice within ten (10) business days after receipt, provided that if said notice is not factually correct, then Tenant shall make such changes as Tenant in good faith believes are necessary to make the notice factually correct and shall thereafter execute and return such notice to Landlord within such ten (10) business day period, and if Landlord determines that Tenant’s changes made by Tenant are factually correct, then Landlord shall thereafter countersign such notice, but if Landlord determines that such changes made by Tenant are not factually correct, then Landlord shall notify Tenant of the same, and Landlord and Tenant shall thereafter use commercially reasonable efforts to agree upon the information set forth in such notice, following which the parties shall mutually execute such notice.

**2.4 Cabling Between Existing Premises and Expansion Premises.** In connection with Tenant’s lease of the Expansion Premises, subject to Landlord’s reasonable rules, regulations and requirements and the terms of the Lease, Tenant shall have the non-exclusive right, at Tenant’s sole cost and expense, to utilize Building pathways to install cabling (via a path and in a manner reasonably determined by Landlord), to electronically connect the Existing Premises and the Expansion Premises.

**3. Expansion Premises Rent.**

**3.1 Base Rent.**

**3.1.1 In General.** Commencing on the Expansion Commencement Date and continuing throughout the Expansion Term, Tenant shall pay to Landlord monthly installments of Base Rent for the Expansion Premises in the amounts set forth below, in accordance with the terms of the Original Lease. For purposes of this Second Amendment, an “**Expansion Lease Year**” shall mean each consecutive twelve (12) month period during the Expansion Term, provided that the last Expansion Lease Year shall end on the Lease Expiration Date.

<u>Expansion Lease Year</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>	<u>Monthly Base Rent per RSF</u>
1	\$ 176,079.60	\$ 14,673.30	\$ 2.95
2	\$ 181,451.52	\$ 15,120.96	\$ 3.04
3*	\$ 186,823.44	\$ 15,568.62	\$ 3.13

\* Ends on Lease Expiration Date

**3.1.2 Abated Base Rent.** Notwithstanding anything in Section 3.1.1, above to the contrary, provided that Tenant is not in default of the Lease, Tenant shall not be obligated to pay an amount equal to \$14,673.30 of the monthly Base Rent attributable to the Expansion Premises for each of months two (2) and three (3) of the Expansion Term.

**3.1.3 Initial Base Rent Payment.** Concurrently with Tenant's execution of this Second Amendment, Tenant shall pay to Landlord an amount equal to \$14,673.30, which amount shall be applied to the first monthly Base Rent due for the Expansion Premises.

**3.2 Operating Expenses, Tax Expenses and Utilities Costs.** Commencing on the Expansion Commencement Date and continuing throughout the Expansion Term, Tenant shall pay (i) Tenant's Share of Operating Expenses, (ii) Tenant's Share of Tax Expenses, and (iii) Tenant's Share of Utilities Costs, all in accordance with the terms of the Current Lease; provided, however, that Tenant's Share of increases in Operating Expenses, Tax Expenses and Utilities Costs for the Expansion Premises shall be calculated separately and apart from that of the Existing Premises and, with respect to the Expansion Premises, (a) Tenant's Share shall equal 1.382%, (b) the Expense Base Year, Tax Expense Base Year, and the Utilities Base Year shall each be the calendar year 2018, (c) references to the "**Calendar Year 2011**" in the carryover paragraph from pages 8 to 9 of the Original Lease shall be deemed to be the "**Calendar Year 2018**", and (d) Tenant shall have no obligation to pay any Operating Expenses, Tax Expenses or Utilities Costs applicable to the Expansion Premises prior to the first anniversary of the Expansion Commencement Date. For purposes of calculating Tenant's Share with respect to the Expansion Premises, Landlord and Tenant hereby acknowledge and agree that office space within the Building shall be deemed to consist of 359,951 rentable square feet of space (which rentable square footage, for purposes of determining Tenant's Share with respect to the Expansion Premises, shall not be subject to remeasurement or modification). Tenant expressly acknowledges and agrees that Section 4.2.7.4 of the Original Lease shall have no applicability in connection with the Expansion Premises.

#### **4. Improvements.**

**4.1 In General.** Subject to the terms of this Section 4, Tenant shall be entitled to a one-time allowance for the design, engineering, permitting and construction of improvements which are affixed to the Expansion Premises (the "**Improvements**") (including, without limitation, any fees incurred for project management, City of Glendale fees, the cost to acquire built-in furniture and amounts owed to Landlord for supervision and management fees, if any) in an amount equal to \$74,610.00 (the "**Improvement Allowance**"). In addition to the Improvement Allowance, Landlord shall pay an amount up to Twelve Cents (\$0.12) per rentable square foot of the Expansion Premises (i.e., Five Hundred Ninety-Six and 88/100 Dollars (\$596.88)) (the "**Space Plan Allowance**") for the preparation by Tenant's architect of a preliminary space plan for the Expansion Premises (the "**Space Plan**"). In no event shall Landlord make disbursements from the Space Plan Allowance for costs which are unrelated to the Space Plan nor, with respect to the Space Plan, in a total amount which exceeds the Space Plan Allowance. Landlord shall pay the Space Plan Allowance within thirty (30) days following receipt of an invoice from Tenant and any other documentation reasonably requested by Landlord. The construction and installation of the Improvements shall be made in accordance with the terms of the Current Lease, as amended hereby, including, without limitation, Article 8 of the Original Lease. Subject to the terms of this Section 4, Landlord shall, within thirty (30) days following receipt of invoices marked as paid, unconditional mechanics' lien releases and such other information as Landlord may reasonably request with respect to the Improvements, reimburse Tenant for the cost of the Improvements up to the amount of the Improvement Allowance. Notwithstanding anything to the contrary in the Current Lease, Tenant shall not be required to remove any of the Improvements (including, without limitation, any data or telecommunications cabling) from the Expansion Premises at the end of the Expansion Term (as the same may be extended) so long as the same consist of typical, general office tenant improvements.

**4.2 Base Rent Credit.** Subject to the terms of this Section 4, Tenant shall have the right, upon notice to Landlord, to elect to apply any unused portion of the Improvement Allowance, but in no event in excess of \$44,766.00 of the Tenant Improvement Allowance, as a credit against the next monthly Base Rent.

**4.3 Other Terms.** Notwithstanding anything contained herein to the contrary, in no event shall the aggregate of Landlord's disbursements for Improvements and the amount of any Base Rent credit hereunder exceed the Improvement Allowance. In the event that the Improvement Allowance, or any portion thereof, is not utilized by Tenant, whether for Improvements or as a credit against Base Rent as provided for in Section 4.2, above (as evidenced by all notices and/or documentation required hereunder having been delivered to Landlord and any Base Rent credit having been fully applied), prior to the date (the "**Outside Use Date**") that is eighteen (18) months following the Expansion Commencement Date, then such unused amounts shall revert to Landlord and Tenant shall have no further rights with respect thereto. Further, in the event that the Space Plan Allowance, or any portion thereof, is not utilized by Tenant (with all documentation required for disbursement thereof received by Landlord) on or before the Outside Use Date, the such unused amount shall revert to Landlord and Tenant shall have no further rights with respect thereto.

**4.4 Hazardous Materials.** Provided that the Improvements consist of typical general office tenant improvements, Landlord agrees to bear any increased costs (separate and apart from the Improvement Allowance) in the construction of the Improvements resulting from the presence of any hazardous materials in the Expansion Premises (provided such hazardous materials are not introduced by Tenant).

#### **5. Parking.**

**5.1 In General.** Commencing as of the Expansion Commencement Date and continuing throughout the Expansion Term, Tenant shall have the right, but not the obligation, to rent from Landlord fifteen (15) unreserved parking passes (the "**Expansion Parking Passes**"). Subject to the maximum number of Expansion Parking Passes to which Tenant is entitled hereunder, Tenant may increase or decrease the number of Expansion Parking Passes leased by Tenant from time to time upon not less than thirty (30) days' notice to Landlord. Notwithstanding anything in the Current Lease to the contrary, Tenant shall pay the prevailing rate charged by Landlord from time to time for Expansion Parking Passes rented by Tenant, plus any applicable parking taxes. Except as specifically set forth in this Section 5, Tenant's lease of the Expansion Parking Passes shall be upon and subject to the terms of the Current Lease.

**5.2 No Must-Take Parking Passes, No Optional Parking Passes, No Reserved Parking Passes.** Landlord and Tenant hereby acknowledge and agree that Tenant shall have no right or obligation to rent Must Take Parking Passes, Optional Parking Passes or Reserved Parking Passes pursuant to Section 11 of the Summary of the Original Lease in connection with Tenant's lease of the Expansion Premises and that the parking passes to which Tenant is entitled in connection with the Expansion Premises are as expressly set forth in Section 5.1, above.

**6. Signage.** As provided in Section 24.8.1 of the Original Lease, Tenant shall be entitled, at Tenant's sole cost and expense, to (a) one (1) identification sign on or near the entry doors of the Expansion Premises, and (b) one (1) identification or directional sign, as reasonably designated by Landlord, in the elevator lobby on the floor on which the Expansion Premises are located. Any such signs shall be installed by a signage contractor reasonably designated by Landlord. The location, quality, design, style, lighting and size of such signs shall be consistent with the Landlord's Building standard signage program and shall be subject to Landlord's prior written approval, in its reasonable discretion. Upon the expiration or earlier termination of the Lease, Tenant shall be responsible, at its sole cost and expense, for the removal of such signage and the repair of all damage to the Building caused by such removal.

**7. No Mortgage or Deed of Trust.** Landlord hereby represents and warrants to Tenant that no mortgage or deed of trust encumbers the Building as of the date of this Second Amendment.

**8. Security Deposit.** Tenant and Landlord hereby acknowledge and agree that (i) Tenant deposited with Landlord a security deposit under the Original Lease in the amount of \$99,096.75 (the "**Security Deposit**"), (ii) pursuant to the terms of Article 20 of the Original Lease, the Security Deposit was to be applied to the Base Rent due for the 37<sup>th</sup> month so long as Tenant was not in default, and (iii) the Security Deposit should have been so applied to Base Rent, but was not. Within thirty (30) days following the date of the full execution and delivery of this Second Amendment, Landlord shall deliver a check payable to Tenant in the amount of the Security Deposit (as set forth above) and, upon receipt thereof, Tenant hereby acknowledges and agrees that Tenant shall neither have nor make any claim against Landlord, nor shall Landlord have any liability to Tenant, based upon the failure to timely apply the Security Deposit against Base Rent as provided for in Article 20 of the Original Lease.

**9. Deletions.** Section 2.2 of the Original Lease is hereby deleted in its entirety and is of no further force or effect.

**10. Notices.** Effective as of the date of this Second Amendment, all notices to Landlord shall be sent to the following addresses (in lieu of the Landlord notice addresses provided for in the Current Lease):

c/o Beacon Capital Partners, LLC  
One Sansome Street, Suite 710  
San Francisco, CA 94104  
Attention: Mr. William McClure Kelly

and

% Beacon Capital Partners, LLC  
200 State Street, 5<sup>th</sup> Floor  
Boston, Massachusetts 02109  
Attention: General Counsel

and

Allen Matkins Leck Gamble Mallory & Natsis LLP  
1901 Avenue of the Stars  
Suite 1800  
Los Angeles, California 90067  
Attention: Anton N. Natsis, Esq.

**11. Certified Access Specialist Disclosure.** As required by Section 1938(e) of the California Civil Code, Landlord hereby states as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." In furtherance of the foregoing, notwithstanding anything in the Current Lease, as amended hereby, to the contrary, Landlord and Tenant hereby agree as follows: (a) any CASp inspection requested by Tenant shall be conducted, at Tenant's sole cost and expense, by a CASp reasonably designated by Landlord, and only in accordance with Landlord's reasonable rules and requirements; and (b) Tenant, at its cost, is responsible for making any repairs within the Premises to correct violations of construction-related accessibility standards; and, if anything done by or for Tenant in its use or occupancy of the Premises other than typical general office use and typical general office improvement of the Premises shall require repairs to the Building or Real Property (outside the Premises) to correct violations of construction-related accessibility standards, then Tenant shall reimburse Landlord upon demand, as Additional Rent, for the cost to Landlord of performing such repairs. Landlord and Tenant hereby acknowledge and agree that the parties' obligations under the foregoing items (a) and (b) apply only if and to the extent that a CASp inspection is initiated or requested by Tenant.

**12. Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Second Amendment other than Jones Lang LaSalle (the “**Broker**”) and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Second Amendment. Landlord shall pay the commission due to Broker in connection with this Second Amendment pursuant to a separate written agreement with Broker. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys’ fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party’s dealings with any real estate broker or agent other than Broker. The terms of this Section 12 shall survive the expiration or earlier termination of the Current Lease, as hereby amended.

**13. Counterparts; Manner of Execution.** This Second Amendment may be executed in counterparts and/or via facsimile, pdf or electronic signature (e.g., via DocuSign), and Landlord and Tenant hereby acknowledge and agree that the same shall be fully effective in the same manner as if both parties hereto had executed the same document in original counterparts by hand. If applicable, both counterparts shall be construed together and shall constitute a single, original document.

**14. No Further Modification.** Except as set forth in this Second Amendment, all of the terms and provisions of the Current Lease shall remain unmodified and in full force and effect. In the event of any conflict between the terms and conditions of the Current Lease and the terms and conditions of this Second Amendment, the terms and conditions of this Second Amendment shall prevail.

**15. Representations.**

**15.1** Landlord hereby represents and warrants to Tenant that, as of the date of mutual execution and delivery of this Second Amendment and to Landlord’s actual knowledge, Tenant is not in default under the Current Lease. For purposes of this Section 15.1, “**Landlord’s actual knowledge**” shall mean the actual current knowledge of Conan Cotrell.

**15.2** Tenant hereby represents and warrants to Landlord that, as of the date of mutual execution and delivery of this Second Amendment and to Tenant actual knowledge, Landlord is not in default under the Current Lease. For purposes of this Section 15.2, “**Tenant’s actual knowledge**” shall mean the actual knowledge of Frank Monestere.

**16. Authority.** Each party represents and warrants that each person executing this Second Amendment on its behalf is duly authorized and empowered to execute it, and do so as the act of and on behalf of such party as indicated below.

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**“LANDLORD”:**

BCAL 101 NORTH BRAND PROPERTY LLC, a Delaware limited liability company

/s/ William McClure Kelly  
William McClure Kelly  
Senior Managing Director

Date: 1/30/2018

The date of this Second Amendment shall be and remain as set in the introductory paragraph on page 1 of this Second Amendment. The date below the Landlord’s signature is merely intended to reflect the date of Landlord’s execution of this Second Amendment.

**“TENANT”:**

LEGALZOOM.COM, INC.,  
a Delaware corporation

By: /s/ Frank Monestere  
Name: Frank Monestere  
Title: President, COO

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**EXHIBIT A**  
**OUTLINE OF EXPANSION PREMISES**  
EXHIBIT A



**THIRD AMENDMENT TO OFFICE LEASE**

This Third Amendment to Office Lease (this “**Third Amendment**”) is made and entered into as of July 30, 2020, by and between BCAL 101 NORTH BRAND PROPERTY LLC, a Delaware limited liability company (“**Landlord**”), and LEGALZOOM.COM, INC., a Delaware corporation (“**Tenant**”).

**R E C I T A L S :**

A. Landlord (as successor-in-interest to Legacy Partners II Glendale N Brand, LLC) and Tenant are parties to that certain Office Lease, dated August 26, 2010 (the “**Original Lease**”), as amended by (i) that certain First Amendment to Lease, dated December 22, 2010 (the “**First Amendment**”), and (ii) that certain Second Amendment to Office Lease, dated January 26, 2018 (the “**Second Amendment** and collectively referred to herein, with the **Original Lease** and **First Amendment**, as the “**Current Lease**”), pursuant to which Tenant leases certain space (the “**Premises**”) located on the tenth (10<sup>th</sup>), eleventh (11<sup>th</sup>) and fourteenth (14<sup>th</sup>) floors of the building located at 101 North Brand Boulevard, Glendale, California (the “**Building**”).

B. Landlord and Tenant desire to amend the Current Lease upon the terms and conditions set forth in this Third Amendment.

**A G R E E M E N T :**

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows.

1. **Capitalized Terms.** All capitalized terms when used herein shall have the same meaning as is given such terms in the Current Lease, unless expressly superseded by the terms of this Third Amendment. The term “**Lease**”, where used in this Third Amendment, shall hereafter refer to the Current Lease, as amended by this Third Amendment.

2. **Premises, Building and Real Property.**

2.1 **In General.** Tenant hereby acknowledges and agrees that (i) Tenant currently occupies the Premises pursuant to the terms of the Current Lease, and (ii) during the “**Extended Term**,” as that term is defined in Section 3.1, below, notwithstanding anything contained in the Current Lease to the contrary, Tenant shall continue to accept the Premises in its currently existing, “as is” condition, and Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises, provided that the foregoing shall not serve to limit or modify Landlord’s express obligations under the Current Lease, to the extent applicable (including, without limitation, with regard to repairs and maintenance). Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Premises, Building or Real Property or with respect to the suitability of the Premises, Building or Real Property for the conduct of Tenant’s business.

2.2 **Rentable Square Footage of Premises and Building.** Landlord and Tenant hereby acknowledge and agree that, notwithstanding anything in the Current Lease to the contrary, effective as of the “Extended Term Commencement Date,” as that term is defined in Section 3.1, below, (i) the Premises shall be deemed to contain 56,345 rentable square feet of space, and (ii) the Building shall be deemed to contain 366,163 rentable square feet of office space. The rentable square footages set forth in this Section 2.2 shall not be subject to further remeasurement or modification.

2.3 **Right of First Offer.** Section 1.4 of the Original Lease is hereby deleted in its entirety and is of no further force or effect.

2.4 **Extended Term Improvements.**

2.4.1 **In General.** Tenant shall have no right to a tenant improvement allowance in connection with the Extended Term or this Third Amendment and any improvements to the Premises to be constructed following the date of this Third Amendment and prior to the Extended Expiration Date (as that term is defined in Section 3.1, below) (“**Extended Term Improvements**”) shall (i) be at Tenant’s sole cost and expense, and (ii) be made by Tenant in accordance with the terms of Article 8 of the Original Lease. Tenant shall select and retain the general contractor to perform any Extended Term Improvements (and shall have the right to competitively bid the same), provided that any contractor retained by Tenant (and any subcontractors) for any Extended Term Improvements shall be subject to Landlord’s approval, which shall not be unreasonably withheld.

2.4.2 **Miscellaneous Costs.** In connection with, and during the construction of, any Extended Term Improvements undertaken by Tenant, Tenant and its architect, general contractor, subcontractors, engineers and vendors shall not be charged for the use of, and access to, freight elevators, hoists, restrooms, and loading docks. In addition, Tenant’s architect, contractors, subcontractors, engineers and vendors shall not be charged for parking (in a location within the Building parking facility reasonably designated by Landlord) during construction of the Extended Term Improvements.

2.4.3 **No Coordination Fee; Tenant’s Payment of Landlord’s Costs.** Landlord and Tenant hereby acknowledge and agree that notwithstanding anything in the Current Lease to the contrary (including, without limitation, Section 8.1 of the Original Lease), Tenant shall not be required to pay a construction management, supervision or coordination fee in connection with any Extended Term Improvements undertaken by Tenant; provided, however, that Tenant shall be required to reimburse Landlord, within ten (10) business days following demand, for any actual, reasonable, out-of-pocket costs incurred by Landlord for third parties to review Tenant’s plans with respect to any Extended Term Improvements.

3. **Lease Term.**

3.1 **Extended Term.** The expiration date of the Current Lease, as amended hereby, is hereby extended from January 31, 2021 (the “Scheduled Expiration Date”) to July 31, 2022 (the “Extended Expiration Date”), and shall expire on the Extended Expiration Date, unless the Current Lease, as amended by this Third Amendment, is sooner terminated or extended as provided in the Current Lease, as amended hereby. The term of the Current Lease, as amended hereby commencing as of February 1, 2021 (the “Extended Term Commencement Date”) and continuing through and including the Extended Expiration Date is referred to herein as the “Extended Term”.

3.2 **Extension Options Rider.** The Extension Options Rider attached to the Original Lease is hereby deleted in its entirety and is replaced with the Extension Options Rider attached hereto as **Exhibit A**.

4. **Rent.**

4.1 **Base Rent.**

4.1.1 **Prior to Extended Term Commencement Date.** Prior to the Extended Term Commencement Date, Tenant shall continue to pay monthly Base Rent for the Premises in accordance with the terms of the Current Lease.

4.1.2 **Extended Term.** Notwithstanding anything in the Current Lease to the contrary, commencing on the Extended Term Commencement Date and continuing throughout the Extended Term, Tenant shall pay monthly Base Rent for the Premises in the amounts set forth below, which payments shall be made in accordance with the terms of the Current Lease, as amended hereby.

<u>Period During Extended Term</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>	<u>Monthly Base Rent per RSF</u>
February 1, 2021 – January 31, 2022	\$2,467,911.00	\$205,659.25	\$ 3.65
February 1, 2022 – July 31, 2022	\$2,542,286.40	\$211,857.20	\$ 3.76

4.2 **Operating Expenses, Tax Expenses, and Utilities Costs.**

4.2.1 **Prior to Extended Term Commencement Date.** Prior to the Extended Term Commencement Date, Tenant shall continue to pay Operating Expenses, Tax Expenses and Utilities Costs in accordance with the terms of the Current Lease.

4.2.2 **Extended Term.** During the Extended Term, Tenant shall continue to pay Operating Expenses, Tax Expenses, and Utilities Costs in accordance with the terms of the Current Lease; provided, however, that effective as of the Extended Term Commencement Date, (a) the Expense Base Year, the Tax Expense Base Year and the Utilities Base Year shall be the calendar year 2021 (the “**Base Year**”), (b) Tenant’s Share shall equal 15.388%, (c) references in Sections 4.2.4 and 4.2.10 of the Original Lease to “ninety-five percent (95%)” and to “at least ninety-five percent (95%)” shall be deemed to be deleted and are hereby replaced with “one hundred percent (100%)”, (d) the references to “the 2011 Calendar Year” in the paragraph at the bottom of page 8 of the Original Lease (which begins with the words “If other than as a result of” and carries over onto the top of page 9 of the Original Lease) shall be deemed to be deleted and shall be replaced with “the Base Year”, (e) Section 4.2.7.4 shall be deemed to be deleted in its entirety and shall be of no further force or effect, and (f) Tenant shall have no obligation to pay Operating Expenses, Tax Expenses, or Utilities Costs for the Premises during the first twelve (12) months of the Extended Term.

5. **Parking.** Landlord and Tenant hereby acknowledge and agree that, during the Extended Term, (i) the parking passes which Tenant is obligated to lease and to which Tenant is entitled shall be and remain as provided for in the Current Lease (and that the number of such parking passes shall not increase as a result of the increase in the rentable square footage of the Premises as provided for in this Third Amendment), and (ii) Tenant shall pay the prevailing rate charged by Landlord from time to time for the applicable types of parking passes rented by Tenant (which, as of the Extended Term Commencement Date, shall be no greater than one-hundred thirty-six and 05/100 dollars (\$136.05) per reserved parking pass per month and ninety and 70/100 dollars (\$90.70) per unreserved parking pass per month) (the “**Parking Charge**”), provided that in no event shall the Parking Charge with respect to unreserved parking passes increase by more than three percent (3%) per year, calculated on a cumulative and compounded basis. Tenant shall also be responsible for the payment of any parking taxes associated with Tenant’s parking (“**Parking Taxes**”). As of the date of this Third Amendment, Parking Taxes equal 10.25% of Parking Charges.

6. **Janitorial Specifications.** Exhibit G to the Original Lease is hereby deleted and is replaced with Exhibit B, attached hereto.

7. **After Hours HVAC.** Tenant’s right to thirteen (13) hours of after-hours HVAC per month at no additional cost (as provided for in Section 6.2 of the Original Lease) shall continue in full force and effect through and including the Extended Expiration Date, but shall be of no force or effect as of the first day of the first Extension Option Term. Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree that any free or reduced after-hours HVAC charges, to the extent present in “Comparable Transactions”, shall be a consideration in the Fair Market Rental Rate for each Extension Option Term.

8. **CASp Disclosure.** For purposes of Section 1938(a) of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp). As required by Section 1938(e) of the California Civil Code, Landlord hereby states as follows: “A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with

all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.” In furtherance of the foregoing, notwithstanding anything in this Article 24 to the contrary, Landlord and Tenant hereby agree as follows: (a) any CASp inspection requested by Tenant shall be conducted, at Tenant’s sole cost and expense, by a CASp reasonably approved by Landlord, and only in accordance with Landlord’s commercially reasonable rules and requirements; and (b) Tenant, at its cost, is responsible for making any repairs within the Premises to correct violations of construction-related accessibility standards; and, if anything done by or for Tenant in its use or occupancy of the Premises for other than typical general office use and typical general office improvements shall require repairs to the Building or Real Property (outside the Premises) to correct violations of construction-related accessibility standards, then Tenant shall reimburse Landlord within thirty (30) days following its receipt of written demand, as Additional Rent, for the cost to Landlord of performing such repairs.

9. **Notices.** Effective as of the date of this Third Amendment, all notices to Landlord shall be sent to the following addresses (in lieu of the Landlord notice addresses provided for in the Current Lease):

c/o Beacon Capital Partners, LLC  
44 Montgomery Street, Suite 1210  
San Francisco, CA 94104  
Attention: Mr. William McClure Kelly and

c/o Beacon Capital Partners, LLC  
200 State Street, 5<sup>th</sup> Floor  
Boston, Massachusetts 02109  
Attention: General Counsel

and

Allen Matkins Leck Gamble Mallory & Natsis LLP  
1901 Avenue of the Stars, Suite 1800 Los  
Angeles, California 90067  
Attention: Anton N. Natsis, Esq.

10. **Deletions.** The last sentence of Article 17 of the Original Lease and the entirety of Section 24.29 of the Original Lease are hereby deleted in their entirety and are of no further force or effect.

11. **Confidentiality.** Landlord and Tenant acknowledge that the content of the Current Lease, as amended hereby, constitutes confidential information. Subject to the terms hereof, Landlord and Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than (a) Landlord's and Tenant's respective financial, legal, and space planning consultants, and transferees (including assignees), (b) as required by applicable law, subpoena or governmental order or as provided in connection with reporting to governmental authorities or agencies, or (c) as may be reasonably required to enforce the terms of the Current Lease, as amended hereby, or any rights and remedies under the Current Lease, as amended hereby. Notwithstanding the foregoing, in addition, Landlord may disclose the terms of the Current Lease, as amended hereby, as follows without violating the confidentiality provision contained in this Section (provided that Landlord shall inform any such recipients that the subject information is confidential): (i) such disclosures are to Building management, existing or prospective investors, lenders, purchasers, title companies, and/or appraisers; and (ii) privileged and other communications with counsel, accountants, and advisors.

12. **Brokers.** Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Third Amendment other than Jones Lang LaSalle ("**Broker**") and that they know of no real estate broker or agent who is entitled to a commission in connection with this Third Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than Broker. Landlord and Tenant acknowledge and agree that Broker represents both Landlord and Tenant and, as such, that Broker is acting as a dual agent in this transaction. The terms of this Section 12 shall survive the expiration or earlier termination of the Current Lease, as hereby amended.

13. **No Further Modification.** Except as set forth in this Third Amendment, all of the terms and provisions of the Current Lease shall remain unmodified and in full force and effect. In the event of any conflict between the terms and conditions of the Current Lease and the terms and conditions of this Third Amendment, the terms and conditions of this Third Amendment shall prevail.

14. **Counterparts; Manner of Execution.** This Third Amendment may be executed in counterparts and/or via facsimile, pdf or electronic signature (e.g., via DocuSign), and Landlord and Tenant hereby acknowledge and agree that the same shall be fully effective in the same manner as if both parties hereto had executed the same document in original counterparts by hand. If applicable, both counterparts shall be construed together and shall constitute a single, original document.

IN WITNESS WHEREOF, this Third Amendment has been executed as of the day and year first above written.

**“LANDLORD”:**

BCAL 101 NORTH BRAND PROPERTY LLC, a  
Delaware limited liability company

By: /s/ William McClure Kelly  
William McClure Kelly,  
Senior Managing Director

Date: \_\_\_\_\_, 2020

The date of this Third Amendment shall be and remain as set  
in the introductory paragraph on page 1 of this Third  
Amendment. The date below the Landlord’s signature is  
merely intended to reflect the date of Landlord’s execution  
of this Third Amendment.

**“TENANT”:**

LEGALZOOM.COM, INC., a Delaware corporation

By: /s/ Dan Wernikoff  
Name: Dan Wernikoff  
Title: CEO

EXHIBIT A

EXTENSION OPTIONS RIDER

This Extension Options Rider (“**Extension Rider**”) is made and entered into by and between BCAL 101 NORTH BRAND PROPERTY LLC, a Delaware limited liability company (“**Landlord**”), and LEGALZOOM.COM, INC., a Delaware corporation (“**Tenant**”), and is incorporated into and forms a part of the Third Amendment to Office Lease to which this Extension Rider is attached (the “**Third Amendment**”). The agreements set forth in this Extension Rider shall have the same force and effect as if set forth in the Third Amendment. To the extent the terms of this Extension Rider are inconsistent with the terms of the Current Lease or the Third Amendment, the terms of this Extension Rider shall control.

1. **Extension Option Rights.** Landlord hereby grants Tenant two (2) options (each, an “**Extension Option**,” and collectively, the “**Extension Options**”) to extend the Lease Term for a period of five (5) years each (each, an “**Extension Option Term**”, and collectively, the “**Extension Option Terms**”), which Extension Options shall be exercisable only by written Exercise Notice (as defined below) delivered by Tenant to Landlord as provided below. Upon the proper exercise of an Extension Option, the Lease Term shall be extended for the applicable Extension Option Term. Notwithstanding the foregoing, at Landlord’s option, in addition to any other remedies available to Landlord under the Lease, at law or in equity, Tenant shall not have the right to extend the Lease Term for an Extension Option Term if, as of the date of delivery of the Exercise Notice by Tenant or as of the end of the Extended Term or first Extension Option Term, as applicable, Tenant is in monetary default under the Lease beyond all applicable notice and cure periods set forth in the Lease. The rights contained in this Extension Rider shall be personal to the Original Tenant (as defined in the Original Lease) or an Affiliate Assignee and may only be exercised by the Original Tenant or such Affiliate Assignee (and not any other assignee, sublessee or other transferee of Tenant’s interest in the Lease) if the Original Tenant, together with all Affiliates, collectively, as of the date of the Exercise Notice, (i) occupy at least fifty percent (50%) of the Premises (i.e., Tenant has not subleased more than fifty percent (50%) of the then Premises other than to an Affiliate), and (ii) occupy (i.e., has not subleased, other than to an Affiliate) the entire eleventh (11<sup>th</sup>) floor of the Building or the entire tenth (10<sup>th</sup>) floor of the Building.

2. **Extension Option Rent.** The rent payable by Tenant during each of the Extension Option Terms (the “**Extension Option Rent**”) shall be equal to the Fair Market Rental Rate for the “Renewal Premises,” as that term is defined, below. As used herein, the “**Fair Market Rental Rate**” shall mean the rent (including additional rent and considering any “base year” or “expense stop” applicable thereto), including all escalations, at which tenants represented by real estate brokers, as of the commencement of the applicable Extension Option Term, are leasing nonsublease, non-renewal, non-encumbered, non-equity, non-expansion space comparable in size, location and quality to the Renewal Premises, for a similar lease term, in an arm’s length transaction, which comparable space is located in the Building and in the “Comparable Buildings,” as that term is defined in Section 1.1 of the Original Lease (collectively, the “**Comparable Transactions**”), taking into consideration only the following concessions (the “**Concessions**”):

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(i) rental abatement concessions, if any, being granted such tenants in connection with such comparable space, (ii) tenant improvements or allowances provided or to be provided for such comparable space, taking into account, and deducting the value of, the existing improvements in the Renewal Premises, such value to be based upon the age, condition, design, quality of finishes, and layout of the improvements and the extent to which the same can be utilized by a general office user, and (iii) all other reasonable monetary and non-monetary concessions being granted such tenants in connection with such comparable space; provided, however, that in calculating the Fair Market Rental Rate, no consideration shall be given to (a) the fact that Landlord and landlords are or are not paying real estate brokerage commissions in connection with such Comparable Transactions, and (b) any period of rental abatement granted to tenants of Comparable Transactions in connection with the design, permitting and construction of tenant improvements in such comparable spaces (but foregoing shall not serve to limit Tenant's right to rent abatement unrelated to the design, permitting and construction of tenant improvements, as provided for in item (i), above). In analyzing such comparable spaces, due consideration shall be given to the method by which the square footage of such space has been calculated. In addition, the Fair Market Rental Rate shall include a reasonable determination as to whether, and if so to what extent, Tenant must provide Landlord with financial security, such as a letter of credit or guaranty, for Tenant's Rent obligations during the subject Extension Option Term. Such determination shall be made by reviewing the extent of financial security, if any, then generally being imposed in Comparable Transactions from tenants of comparable financial condition and credit history to the then existing financial condition and credit history of Tenant (with appropriate adjustments to account for differences in the then-existing financial condition of Tenant and such other tenants). There shall be a then current Base Year for Operating Expenses, Tax Expenses and Utilities Costs during each Extension Option Term. All other terms and conditions of the Lease shall apply throughout each of the Extension Option Terms, if applicable; however, Tenant shall, in no event, have the option to extend the Lease Term beyond the second Extension Option Term described in Section 1 above. The Fair Market Rental Rate shall include the periodic rental increases that would be included for space leased for the period of the applicable Extension Option Term. For purposes of this Extension Rider, the "**Renewal Premises**" shall mean the "Designated Portion of the Premises," as that term is defined in Section 3, below, as determined pursuant to Section 3.2, below.

### 3. Exercise of Extension Options.

3.1 In General. The options contained in this Extension Rider shall be exercised by Tenant, if at all, only in the following manner: (i) Tenant shall deliver written notice ("**Interest Notice**") to Landlord not less than fourteen (14) months prior to the expiration of the Extended Term or first Extension Option Term, as applicable, stating that Tenant may be interested in exercising its option; (ii) Landlord, after receipt of Tenant's notice, shall deliver notice (the "**Extension Option Rent Notice**") to Tenant not less than thirteen (13) months prior to the expiration of the Extended Term or first Extension Option Term, as applicable, setting forth the Extension Option Rent which shall be based on Landlord's good faith determination of the applicable Fair Market Rental Rate; and (iii) whether or not Tenant shall have delivered an Interest Notice, if Tenant wishes to exercise such option, Tenant shall, on or before the date (the "**Exercise Date**") which is twelve (12) months prior to the expiration of the Extended Term or first Extension Option Term, as applicable,

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exercise the option by delivering written notice (the “**Exercise Notice**”) thereof to Landlord. Concurrently with Tenant’s delivery of the Exercise Notice, if Tenant shall have previously delivered an Interest Notice as provided for in item (i) of this Section 3.1, Tenant may, at its option, object, in writing, to Landlord’s determination of the Extension Option Rent for the applicable Extension Option Term set forth in the Extension Option Rent Notice, in which event such Extension Option Rent shall be determined pursuant to Section 4, below. If Tenant did not deliver an Interest Notice but shall timely deliver an Exercise Notice in accordance with the terms hereof, the parties shall follow the procedure, and the Extension Option Rent shall be determined, as set forth in Section 4, below. Tenant may only exercise its second Extension Option hereunder if it has timely and properly exercised its first Extension Option.

3.2 Determination of Designated Portion of Premises. If Tenant delivers an Interest Notice for the first Extension Option Term, the Interest Notice shall designate the “Designated Portion of the Premises,” as that term is defined below, to be leased by Tenant during the first Extension Option Term if Tenant shall subsequently deliver the Exercise Notice in accordance with the terms hereof; and if (and only if) Tenant delivers an Exercise Notice without having previously delivered an Interest Notice for the first Extension Option Term, the Exercise Notice shall designate the Designated Portion of the Premises to be leased by Tenant during the first Extension Option Term. In the event that Tenant shall fail to designate the Designated Portion of the Premises to be leased by Tenant during the first Extension Option Term in the Interest Notice or Exercise Notice, as applicable, Tenant shall be deemed to have designated the “Entire Premises,” as that term is defined below, as the Designated Portion of the Premises. Once the Designated Portion of the Premises is determined for the first Extension Option Term as provided for herein, the same shall not be subject to change. For purposes of this Extension Rider, the “**Designated Portion of the Premises**” shall mean (a) with respect to the first Extension Option Term either (i) all of the space leased by Tenant on the tenth (10<sup>th</sup>) and eleventh (11<sup>th</sup>) floors as of the date of this Third Amendment, or (ii) all of the space leased by Tenant on the tenth (10<sup>th</sup>), eleventh (11<sup>th</sup>) and fourteenth (14<sup>th</sup>) floors as of the date of this Third Amendment (the “**Entire Premises**”), and (b) with respect to the second Extension Option Term, all of the space leased by Tenant during the first Extension Option Term (Tenant acknowledging and agreeing that Tenant shall have no right to reduce or otherwise modify the composition of the Premises in connection second Extension Option Term).

4. Determination of Extension Option Rent. If Tenant timely objects in writing to Landlord’s determination of the Extension Option Rent concurrently with the delivery of Tenant’s Exercise Notice as referenced above, or in the event that Tenant did not deliver an Interest Notice but timely delivers an Exercise Notice, Landlord and Tenant shall promptly meet and attempt to agree upon the Extension Option Rent for the applicable Extension Option Term. If Landlord and Tenant are unable to agree on the Extension Option Rent for the applicable Extension Option Term within thirty (30) days of receipt by Landlord of the Exercise Notice for the applicable Extension Option Term (in any event, the “**Outside Agreement Date**”), then each party shall make a separate determination of the Extension Option Rent within ten (10) business days following the applicable Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance

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with the following. Landlord and Tenant each, at its cost and by giving notice to the other party, shall appoint a competent and impartial commercial real estate broker (hereinafter "**Broker**") with at least ten (10) years' full-time commercial real estate brokerage experience leasing commercial high-rise properties in the Tri Cities area to set the Extension Option Rent for the applicable Extension Option Term. If either Landlord or Tenant does not appoint a broker within ten (10) business days after the other party has given notice of the name of its broker, the single broker appointed shall be the sole broker and shall conclusively determine the Extension Option Rent for the applicable Extension Option Term. If two (2) brokers are appointed by Landlord and Tenant as stated in this paragraph, they shall meet promptly and attempt to set the Extension Option Rent.

In addition, if either of the first two (2) brokers fails to submit their opinion of the Extension Option Rent within the time frames set forth below, then the single Extension Option Rent submitted shall automatically be the Extension Option Rent for the applicable Extension Option Term and shall be binding upon Landlord and Tenant. If the two (2) brokers are unable to agree within ten (10) days after the second broker has been appointed, they shall attempt to select a third broker, meeting the qualifications stated in this paragraph within ten (10) days after the last day the two (2) brokers are given to set the Extension Option Rent. If the two (2) brokers are unable to agree on the third broker, either Landlord or Tenant by giving ten (10) days' written notice to the other party, can apply to the Presiding Judge of the Superior Court for Los Angeles County, California, for the selection of a third broker who meets the qualifications stated in this paragraph. Landlord and Tenant each shall bear one-half (1/2) of the cost of appointing the third broker and of paying the third broker's fee. The third broker, however selected, shall be a person who has not previously acted in any capacity for either Landlord or Tenant. Within fifteen (15) days after the selection of the third broker, the third broker shall select one of the two Extension Option Rents submitted by the first two brokers as the Extension Option Rent for the Renewal Premises and term at issue. The determination of the Extension Option Rent by the third broker shall be conclusive and binding upon Landlord and Tenant.

Upon determination of the Extension Option Rent for the applicable Extension Option Term in accordance with the terms outlined above, Landlord and Tenant shall immediately execute an amendment to the Lease. Such amendment shall set forth among other things, the Extension Option Rent for the applicable Extension Option Term and the actual commencement date and expiration date of the applicable Extension Option Term. Tenant shall have no other rights to extend the Lease Term under this Extension Rider following the options set forth herein unless Landlord and Tenant otherwise agree in writing.

5. Condition of Renewal Premises. If Tenant timely and properly exercises its Extension Options, in strict accordance with the terms contained herein, Tenant shall accept the Renewal Premises in its then "AS-IS" condition and, accordingly, Landlord shall not be required to perform any additional improvements to the Renewal Premises, provided that an allowance for tenant improvements shall be provided to the extent included in the Extension Option Rent.

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6. Limitations on, and Conditions to, Extension Options. Notwithstanding anything above to the contrary, at Landlord's option, all rights of Tenant under this Extension Rider shall terminate and be of no force or effect if any of the following individual events occur or any combination thereof occur: (1) Tenant has assigned its rights and obligations under all or part of the Lease to other than an Affiliate or Tenant has subleased more than fifty percent (50%) of the Premises in a transfer to other than an Affiliate; and/or (2) Tenant has failed to exercise properly any preceding Extension Option in a timely manner in strict accordance with the provisions of this Extension Rider.

7. Time is of the Essence. Time is of the essence with respect to each and every time period described in this Extension Rider.

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**EXHIBIT B**

**JANITORIAL SPECIFICATIONS**

**OFFICE AREAS**

**NIGHTLY (five days per-week)**

1. Spot clean both sides of entrance glass doors and sidelights.
2. Empty wastebaskets and central recycling bins. Replace liners as needed.
3. Spot clean glass, including doors, walls and partitions.
4. Wipe clean conference room tables and furniture.
5. Damp wipe and polish glass furniture tops.
6. Police planters, spot clean exterior surfaces.
7. Spot clean mirrors, windows, doors and light switches, and partition glass.
8. Remove lint/dust from upholstered furniture in reception, conference rooms and executive areas.
9. Dust mop uncarpeted floors including under desks and furniture. Spot clean to remove dirt, stains and scuff marks.
10. Damp mop and spot clean lobby and reception area.
11. Vacuum all traffic and main use areas (reception, conference rooms, hallways, executive areas, etc.) Spot vacuum all other tenant areas if needed. Spot clean as needed.
12. Interior staircases will be cleaned in the same manner and frequencies required in all tenant areas.
13. All metal work to be wiped clean, including but not limited to door hardware, metal kick plates, perimeter metal base grills, handrails, waste paper receptacles, elevator call button plates and metal signage. All metal to be left in a streak-free condition.
14. Upon completion of nightly services in each tenant suite:
  - All chairs, furniture and wastebaskets to be returned to proper position when cleaned.
  - Floor areas to be policed thoroughly to ensure paper, clips and debris are removed.
  - If directed by Manager, close blinds to conserve energy.
  - All lights will be turned off, unless otherwise instructed.
  - Tenant entry and access doors will be locked and secured.
  - Locked interior office doors will be shut and re-locked.
  - Activate all alarm systems as instructed by occupant, where applicable.
  - Report repair items and location (burned out lights, fixture malfunctions, etc.)

**THREE DAYS PER WEEK**

Vacuum all carpeted areas including offices, cubicles and work stations. Spot vacuum as needed on alternate days. Spot clean carpeting as needed.

**TWO DAYS PER WEEK**

Dust surfaces within reach including desks, furniture, partition tops, ledges, window sills, moldings and all other horizontal surfaces. (Desks and furniture will be dusted only when papers, folders, etc. are stacked in one place). Spot clean as needed.

**WEEKLY**

1. Fully dust all surfaces within reach, including legs and bases of chairs, desks, furniture, ledges, moldings, window frames, etc. Spot clean as needed.

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2. Dust all pictures, frames, and wall hangings. Damp dust as required.
3. All carpeted areas are to be thoroughly vacuumed and edged (including around and under desks, furniture, planters, file cabinets and corners).
4. Wet mop uncarpeted floors, edges and corners (including around and under desks, furniture, planters, file cabinets and corners). Spot clean as required and machine clean building standard surfaces (i.e., VCT).
5. Dust baseboards. Spot clean to remove dirt and marks.
6. Inspect all carpeted and uncarpeted floors and spot clean as needed. Report resistant stains to Manager.
7. Thoroughly police tenant space to ensure cleanliness in hard to reach locations or areas not easily visible (i.e., behind/ under furniture, planters, etc.)
8. Smudges and finer marks removed from walls, partitions, partition glass, etc.

#### **MONTHLY**

1. High dust all vertical and horizontal surfaces up to full height, including walls, partitions, ledges, moldings, window frames, ceilings, light fixtures, and all other areas not reached during nightly and weekly cleaning.
2. Dust doors, frames, inside of jambs and hardware. Spot clean to remove fingerprints.
3. Vacuum upholstered furniture.
4. Damp wipe fire extinguisher cabinets inside and out.

#### **QUARTERLY**

1. Clean all air diffuser grills.

#### **OFFICE AREAS – Kitchens & Break Rooms**

##### **NIGHTLY (Five days per week)**

1. Clean, disinfect and polish all sinks and countertops, using a non-abrasive cleanser.
2. Wipe clean all tables and chairs.
3. Spot clean walls, doors, cabinetry doors, exterior of refrigerators, microwaves, dishwashing machines, trash compactors and glass surfaces.
4. Empty trash receptacles, sanitize and replace liners.
5. Empty recycling bins when  $\frac{3}{4}$  full.
6. Sweep/ vacuum uncarpeted floors, edges and corners.
7. Wet mop tile floors using a germicidal solution. Spot clean to remove stains and marks.

##### **WEEKLY**

8. Dust all surfaces within reach. Spot clean.
9. Wash base and legs of tables and chairs.

#### **ELEVATORS**

##### **NIGHTLY (Five days per week)**

1. Dust light lenses, damp wipe, if necessary
2. Damp wipe all walls in each cab.
3. Dust or damp wipe metal and floor buttons. Stainless steel cleaner to be utilized as necessary.
4. Clean, vacuum and wipe down all door tracks and treads.
5. Thoroughly clean, including edging along base, all elevator cab flooring.

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6. Spot clean elevator carpet.
7. Spot clean hall sides of doors, frames, hall call buttons, call lights and directional fixtures. Stainless steel cleaner to be utilized as necessary.
8. Damp wipe evacuation signage in elevator lobbies.

**WEEKLY**

1. Wash all hall side doors and frames.

**MONTHLY**

1. Dust ceiling vent grills.

**EVERY OTHER MONTH**

1. Shampoo elevator carpet

**ELEVATORS LOBBIES, ENTRANCES, CORRIDORS AND STAIRWAYS**

**NIGHTLY (Five days per week)**

1. Elevator lobbies vacuumed.
2. All bare floor areas swept, or dust mopped.
3. Building directories spot cleaned, interiors dusted, and glass cleaned.
4. All drinking fountains cleaned, including sides, and polished as needed.

**TWICE WEEKLY**

1. Fire hose and extinguisher cabinets cleaned inside and out.

**FREIGHT ELEVATOR LOBBY VESTIBULES**

**NIGHTLY (Five days per week)**

1. Sweep floors, then spot mop or wet mop.
2. Clean/wash transoms high and low.
3. Clean prints and marks from doors.
4. Spot clean walls

**MONTHLY**

1. Strip floors, buff and recoat, as necessary.
2. Dust light fixtures.

**LOADING DOCK**

**DAILY (Five days per week)**

1. Place all trash in dumpster(s).
2. Sweep dock and dock area.
3. Spot clean dock and corridor walls.
4. Damp wipe painted doors and doorframes.
5. Damp mop all tiled floor surfaces.

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**MONTHLY**

1. Steam and/or power wash all loading dock base, truck areas, and exterior (top and sides) of trash dumpsters.

**SEMI-ANNUALLY**

1. Steam and/or power wash all loading dock vertical walls.

**GENERAL**

- A. Any common area street level or main floor glass, including high glass above and to side of entrance, to be cleaned every 6 months.
- B. Policing of areas under desks, behind furniture and in areas where dirt can collect over a period of time should be checked monthly and cleaned as needed.
- C. Exterior of building should be policed daily for debris and any unsightly condition taken care of. Also, parking areas adjacent to building should be policed.
- D. Janitor closets, service manager office and storage areas should always be maintained in a neat and orderly manner.
- E. Any condition of the building requiring a repair or attention should be brought to the notice of the Building management office as soon as possible.
- F. The janitorial supervisor should be notified when restroom supplies need reordering.
- G. Janitor shall not remove materials from desks, shelves, counters, files, or any other areas for purpose of cleaning. Owner is not responsible for damaged or lost materials of Tenant caused by janitor.
- H. Contractor shall only remove articles left in normal trash disposal areas or when clearly marked

“TRASH.” Any questionable items are not to be removed from premises.

- I. Janitor is responsible for removing any items larger than that which can be contained in a standard size wastebasket provided the items are clearly marked “TRASH” by the Tenant and left in a conspicuous area. Janitor shall also ensure recycled trash shall not be combined with regular waste and shall be bagged separately and disposed of properly into the Building’s main recycling container.

**PUBLIC AREAS (including but not limited elevator lobbies, corridors, and all heavy traffic areas.)**

**NIGHTLY (Five days per week)**

1. Carpeted Floors. All carpeted floors are to be vacuumed and edged with an edging tool, moving all sand urns, furniture and accessories. Baseboards will be wiped with a treated dust cloth after vacuuming. Carpet and baseboards will be spot cleaned where necessary.
2. Uncarpeted Floors. All hand surfaced floors are to be mopped with a treated dust mop and maintained as needed to preserve and retain uniformity bright appearance, with particular attention to edges, corners, and behind doors. All spills and stains will be removed with damp mop or cloth. Baseboards will be wiped down with treated dust cloth.
3. Walls. All walls will be spot-cleaned to remove all smudges, stains, and hand marks, using only clean water, or mild cleansing agent where necessary. When soap or cleaner is used, the wall will be rinsed with clear water and dried. No abrasive cleaner will be used.

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4. Service Car Areas. The corridor area in front of each service car landing is to be protected each night by covering carpet with a protective drop cloth. Any spots or stains on carpet are to be cleaned immediately.
5. Doors and Jambs. All doors and jambs will be spot-cleaned to remove any hand marks, stains, spills or smudges. Use only clear water or a mild cleansing agent where necessary. Rinse with clear water and dry. Door edges and jambs will be dusted where necessary. When completed, doors and jambs shall have a uniformly clean appearance.
6. Glass Doors and Partitions. All glass doors and partitions, including directory glass, will be wiped clean, using an approved glass cleaner and will be left in a uniformly clean and bright condition, free of all dust, streaks and finger marks.
7. Miscellaneous Metalwork. All metalwork, such as mail chutes, door hardware and frames, metal, lettering, and other metal accessories will be wiped clean and polished and left in uniformly clean and bright condition, free of all dust and streaks.
8. Elevator Doors. Elevator doors and frames will be wiped down and polished, removing all dust, marks, and stains and left in a uniformly clean and bright condition. Elevators will be wiped clean and all dirt and debris removed from door tracks, using vacuum and edging tool.
9. Waste Receptacles/Cigarette Urns. All public waste receptacles and cigarette urns will be thoroughly washed and cleaned, removing all debris and replacing liners and sand on cigarette urns as necessary. Materials are to be furnished by Contactor.
10. Dusting. All furniture, accessories, ledges, and other horizontal surfaces will be dusted using a dust treated cloth. All surfaces are to be left in a clean, dust-free condition. Spot cleaning will be performed as necessary.
11. Furniture and Miscellaneous. All furniture is to be wiped, using a treated dust cloth, paying particular attention to legs and surfaces near the floor. Vinyl or leather surfaces are to be dusted and spot-cleaned when necessary; cloth is to be vacuumed as necessary.
12. Sidewalks. Steam and/or power wash pavers and sidewalls. Remove water over-spray and wipe down metal railings and door upon completion of cleaning.

#### **WEEKLY**

1. Uncarpeted Floors. All hard-surfaced floors will be wet-mopped, dried and spray bugged. All wax and marks will be removed from baseboards. Floors and baseboards are to be left in a uniformly bright, clean condition.
2. Carpeted Floors. All carpeted floors will be vacuumed to remove all embedded dirt and grit and restore pile to a uniformly upright condition.
3. Glass Partitions and Doors. All interior glass (excluding perimeter windows) will be thoroughly cleaned and left in a uniformly bright, clean condition.

#### **MONTHLY**

1. High Dusting. All high dusting beyond the reach of the normal day-to-day dusting will be accomplished monthly. This will include, but will not be limited to, all ledges, charts, picture frames, graphs, air diffusers, and other horizontal surfaces.
2. Doors and Jambs. All painted doors and jambs will be washed down with clean water, using a mild cleansing agent where necessary, rinsed with clean water and dried, leaving no streaks, marks or smudges.

#### **QUARTERLY**

1. Air Diffusers. Air diffusers will be thoroughly washed and dried and left in clean condition as often as necessary, but not less often than every 3 months.

#### **EXHIBIT B**

## **ANNUALLY**

1. Light Lenses and Fixtures. All light lenses will be removed, fixtures and lenses washed clean and dried and lenses reinstalled as often as necessary, but not less than once a year.
2. Walls. All walls will be washed down with clear water and dried as often as necessary, but not less often than once a year. Care should be taken not to mar material or flat painted surfaces. All wood surfaces will then be oiled with approved finish and wiped dry. When complete, the surfaces shall have a uniformly clean appearance.

## **STAIRWELLS AND LANDINGS**

### **NIGHTLY (Five days per week)**

1. Police for trash; remove gum.

### **WEEKLY**

1. Sweep/spot mop.
2. Clean prints and marks from doors.

### **MONTHLY**

1. Dust handrails and other vertical members.
  2. Dust light fixtures.
- D. Quarterly
1. Dust all vents and painted piping.
  2. Clean/wash transoms high and low.
  3. Damp mop.

## **RESTROOMS**

### **NIGHTLY (Five days per week)**

1. Floors and Tile. Floors will be swept clean and wet-mopped using a germicidal detergent approved by owner. The floors will then be mopped dry and all watermarks and stains wiped from walls and metal partition bases.
2. Metal Fixtures. All mirrors, powder shelves, bright work (including exposed piping below wash basins), tower dispensers, receptacles, and other metal accessories will be washed and polished. Contactor shall use only non-abrasive, nonacidic material to avoid damage to metal fixtures. 3. Ceramic Fixtures. Wash and disinfect all basins, bowls, and urinals with Owner-approved germicidal detergent solution, including the walls near urinals. Special attention must be taken to inspect and clean areas of difficult access, such as the underside of toilet bowl rings and urinals, to prevent building up of calcium and iron oxide deposits. Wash both sides of all toilet seats with approved germicidal solution and wipe dry. Toilet seats to be left in an upright position.
4. Walls and Metal Partitions. Damp wipe all metal toilet partitions and modesty screens and tiled walls using approved germicidal solution. All surfaces are to be wiped dry so that all wipe marks are removed and surfaces have a uniformly bright appearance. The top edges of all partitions, ledges, and mirror tops will be dusted.
5. Empty all Receptacles. Waste, sanitary napkins, ashtrays, etc.
6. All Dispensers to be filled. Fill toilet paper, toilet seat cover, hand towel, soap, sanitary napkin and air freshener dispensers as necessary. Change batteries in air freshener dispenser as necessary. Replace lined disposal bags in sanitary napkin receptacles.

## **EXHIBIT B**

## **DAYPORTER**

Day Porter service shall be provided from 7:00 a.m. to 4:00 p.m. Monday Through Friday.

The duties of the Day Porter, shall be, but at not limited to the following:

1. Spot clean the lobby glass doors.
2. Polish brass/chrome on lobby doors.
3. Vacuum elevator cabs; wipe cab doors, walls and tops twice daily.
4. Inspect parking lot and structure where applicable and pick up any trash.
5. Clean ashtrays on the Plaza.
6. Empty and clean trash receptacles.
7. Check restrooms twice daily.
8. Vacuum lobby once a day or as needed.
9. Sweep stairwells and landings as needed.
10. Clean outside signage once a week.
11. Change lights and clean lamp shields as requested.
12. Remove all debris from landscaped areas as needed.
13. Clean telephone rooms as needed.
14. Sweep building entrances.
15. Clean and remove smudges, marks on walls, doors, and wall coverings in common areas.
16. Report any lights out (exit, directory boards, etc.).
17. Report any solicitors to the Management Office.
18. Pick up work orders each morning and at lunch time from the Management Office.
19. Sweep stairs of parking structure, dust handrails and card readers when applicable.
20. Clean trash enclosures twice a week.
21. Respond to calls placed by the Management Office to perform other duties.
22. Where applicable thoroughly steam clean Plaza in front of building as scheduled by management. Remove excess water. Use blower on Plaza twice per week.
23. Where applicable, police plaza to keep ground and planters free of paper, debris, etc. Policing should be scheduled at high traffic times each day. Empty all trash receptacles.
24. Vacuum carpeted floors or dust tiled floors.
25. Dust mop lobby floors twice daily.
26. Wash glass entrance floors as scheduled by management; polish chrome lick plates and thresh holds at basin of doors.
27. Polish elevator cab railings and doors and main lobby call buttons.

### **EXHIBIT B**

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101 NORTH BRAND  
[LegalZoom.com, Inc.]

**CONSENT OF KANTAR**

We hereby consent to the use of our firm's name, Kantar, in the Registration Statement on Form S-1 of LegalZoom.com, Inc. (the "**Company**") in connection with the registration of shares of the Company's common stock, and any amendments thereto, including the prospectus contained therein (the "**Registration Statement**"), to the inclusion of quotations or summaries of, or references in the Registration Statement to, information contained in the report prepared for and supplied to the Company by Kantar, and to being named as an expert in the Registration Statement (and being included in the caption "Experts" in the Registration Statement). We also hereby consent to the filing of this letter as an exhibit to the Registration Statement.

We further wish to advise that Kantar was not employed on a contingent basis at the time of preparation of our report, and is not at present, and that neither Kantar nor any of its employees had or now has a substantial interest in the Company or any of its subsidiaries or affiliates.

**Kantar LLC**By: /s/ Ashutosh Bhartia

Name: Ashutosh Bhartia

Title: Commercial Director

Date: April 26, 2019

March 31, 2021  
Legalzoom.com Inc.  
101 North Brand Boulevard, 11<sup>th</sup> Floor  
Glendale, CA 91203  
Attn: Dan Wernikoff, CEO

Ladies and Gentlemen:

LegalZoom.com, Inc. (the "Company") has requested that Magid ("Magid") execute this letter in connection with a proposed initial public offering by the Company (the "Transaction"), in connection with which the Company will be confidentially submitting and publicly filing a registration statement on Form S-1 (including any amendments and supplements thereto, the "Registration Statement") with the Securities and Exchange Commission and will be preparing additional materials relating to the Offering, including investor presentations, roadshow and testing-the-waters materials, as applicable. In response to such request, please be advised as follows:

1. Magid consents to the Company's use of and reference to Magid's name and to the focus group studies and resulting reports commissioned by the Company from Magid in November 2020 and January 2021 (the "Studies") in the Registration Statement and in any additional materials relating to the Transaction.
2. Magid consents to the Company's use of the information prepared for and supplied to the Company by Magid in connection with the Studies and to the inclusion of such information in the Registration Statement and in any additional materials relating to the Transaction.
3. Magid consents to the filing of this letter as an exhibit to the Registration Statement, if applicable.

Magid agrees that the existence and terms of the Transaction constitute confidential information and agrees not to disclose such confidential information to any person or entity or use such confidential information for any purpose. The Company agrees to defend, indemnify, and hold harmless Magid for any third party claims arising from or related to Company's use of the Studies in the Registration Statement.

*[Signature page follows]*

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Very truly yours,

Magid

By: /s/ Beth McCartan

Name: Beth McCartan

Title: CFO

*[Signature Page to Magid Consent]*