

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

7379
(Primary Standard Industrial
Classification Code Number)

13-3861628
(I.R.S. Employer
Identification No.)

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

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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, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / / _____

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

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

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

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common stock, par value \$0.001 per share.....	\$57,500,000	\$15,180

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act.

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

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

PROSPECTUS

SHARES

[LOGO]

COMMON STOCK

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

Prior to this offering, there has been no public market for our common stock. We intend to apply for listing of our common stock on the Nasdaq National Market under the symbol LPSN.

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

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

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

SEE "RISK FACTORS" BEGINNING ON PAGE 6.

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

CHASE H&Q

THOMAS WEISEL PARTNERS LLC

PAINWEBBER INCORPORATED

, 2000

[INSIDE FRONT COVER]

[COLOR ARTWORK TO BE DESCRIBED IN AMENDMENT]

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

PROSPECTUS SUMMARY

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

LIVEPERSON

LivePerson provides technology that facilitates real-time sales and customer service for companies doing business on the Internet. We are an Application Service Provider (ASP), and we offer our proprietary real-time interaction technology as an outsourced service. The LivePerson service enables our clients to communicate directly with Internet users via text-based chat. Our clients can respond to customer inquiries in real time, and can thereby enhance their customers' online shopping experience. Our technology requires no software or hardware installation by our clients or their customers.

We believe that our service offers our clients the opportunity to increase sales, reduce customer service costs and increase responsiveness to customer needs and preferences. Because we are an ASP and provide our clients with a service rather than an in-house technology solution, our clients can devote their information technology resources to other priorities. We offer low start-up costs and reasonable ongoing monthly fees, rapid deployment, automatic upgrades and the ability to add capacity upon request.

We currently have contracts with more than 450 clients. Our service benefits companies of all sizes doing business on the Internet, including online retailers, online service providers and traditional offline businesses with a Web presence. Our clients include Beauty.com, EarthLink, E-LOAN, GMAC's ditech.com, Intuit, iQVC, LookSmart, ShopNow and Webvan.

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

- strengthening our market position by significantly expanding our installed client base;
- adding features and functionality to our live interaction platform to increase the value of our service to our clients and their reliance on its benefits;
- continuing to build brand awareness;
- continuing to develop our technological capabilities by devoting significant resources to network architecture and software design;
- seeking opportunities to form strategic alliances and make acquisitions where appropriate; and
- expanding our international presence.

Our business was incorporated in the State of Delaware in November 1995 under the name Sybarite Interactive Inc. Following our introduction of the LivePerson service in November 1998, we changed our name in January 1999 to Live Person, Inc. and on February , 2000 to LivePerson, Inc. Our principal executive offices are located at 462 Seventh Avenue, 10th Floor, New York, New York 10018-7606. Our telephone number is (212) 277-8950. The address of our Web site is www.liveperson.com. Information contained on our Web site does not constitute part of this prospectus.

RECENT DEVELOPMENTS

On January 27, 2000, we completed a private placement of 3,157,895 shares of our series D redeemable convertible preferred stock with certain affiliates of Dell Computer Corporation and with NBC Interactive Media, Inc. (a division of NBC) at a purchase price of \$5.70 per share. We received net proceeds of approximately \$17.9 million from this private placement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

THE OFFERING

Common stock offered by LivePerson..... shares
Common stock to be outstanding after this offering..... shares
Use of proceeds..... General corporate purposes, including working capital, and strategic alliances and acquisitions, if any.
Proposed Nasdaq National Market symbol..... LPSN

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of January 28, 2000 and excludes:

- shares of common stock reserved for issuance under our 2000 Stock Incentive Plan, of which 3,160,980 shares are issuable upon the exercise of stock options outstanding as of January 28, 2000 with a weighted average exercise price of \$2.51 per share;
- 63,000 shares of common stock reserved for issuance upon the exercise of stock options with an exercise price of \$2.40 per share granted outside of the predecessor to our 2000 Stock Incentive Plan;
- shares of common stock reserved for issuance under our 2000 Employee Stock Purchase Plan; and
- 479,166 shares of common stock issuable upon the exercise of warrants outstanding as of January 28, 2000, with a weighted average exercise price of \$2.40 per share.

Unless otherwise indicated, all information in this prospectus:

- reflects the automatic conversion of all of our outstanding shares of convertible preferred stock, including the series D redeemable convertible preferred stock, on a one-for-one basis into 11,974,852 shares of our common stock upon the closing of this offering;
- assumes the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, each as contemplated to be in effect as of the closing of this offering; and
- assumes no exercise of the underwriters' over-allotment option.

SUMMARY FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1998	1998	1999
STATEMENT OF OPERATIONS DATA:					
Revenue:					
Service revenue.....	\$ --	\$ --	\$ 1	\$ --	\$ 186
Programming revenue.....	11	245	378	315	36
Total revenue.....	11	245	379	315	222
Total operating expenses.....	42	251	399	315	3,784
Loss from operations.....	(31)	(6)	(20)	--	(3,562)
Net loss.....	(30)	(6)	(20)	--	(3,306)
Basic and diluted net loss per share.....	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.70)
Weighted average basic and diluted shares outstanding.....	4,728,000	4,728,000	4,728,000	4,728,000	4,728,000
Pro forma basic and diluted net loss per share.....					\$ (0.36)
Shares used in pro forma basic and diluted net loss per share.....					9,172,051

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

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

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

The pro forma as adjusted balance sheet data summarized below give effect to our receipt of the estimated net proceeds from the sale of the shares of common stock offered hereby at an assumed initial public offering price of \$ _____ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	SEPTEMBER 30, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
BALANCE SHEET DATA:			
Cash and cash equivalents.....	\$19,378	\$37,278	\$
Working capital.....	19,309	37,209	
Total assets.....	21,427	39,327	
Redeemable convertible preferred stock.....	18,990	--	
Total stockholders' equity.....	1,406	38,296	

RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS

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

We have only a limited operating history upon which to base an evaluation of our current business and future prospects. We began offering the LivePerson service in November 1998; accordingly, the revenue and income potential of our business and the related market are unproven. As a result of our limited operating history as a provider of real-time sales and customer service technology for companies doing business on the Internet, we do not have historical financial data for a significant number of periods upon which to forecast revenue and results of operations.

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

- attract more clients and retain existing clients;
- sell additional operator access accounts (seats) and other services to our existing clients;
- effectively market and maintain our brand name;
- respond effectively to competitive pressures;
- continue to develop and upgrade our technology; and
- attract, integrate, retain and motivate qualified personnel.

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

WE LACK SIGNIFICANT REVENUE, HAVE A HISTORY OF SIGNIFICANT LOSSES SINCE OUR INCEPTION AND EXPECT TO INCUR SIGNIFICANT LOSSES FOR THE FORESEEABLE FUTURE.

We have not achieved profitability and, as we expect to continue to incur significant operating expenses and to make significant capital expenditures, we expect to continue to experience significant losses and negative cash flow for the foreseeable future. We recorded a net loss of \$20,000 for the year ended December 31, 1998 (the year in which we commenced offering the LivePerson service) and a net loss of approximately \$3.3 million for the nine months ended September 30, 1999. As of September 30, 1999, our accumulated deficit was approximately \$3.4 million. Even if we do achieve profitability, we cannot assure you that we can sustain or increase profitability on a quarterly or annual basis in the future. Failure to achieve or maintain profitability may materially and adversely affect the market price of our common stock.

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

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

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

IF WE ARE NOT SUCCESSFUL IN SELLING THE LIVEPERSON SERVICE, OUR REVENUE WILL NOT INCREASE AND MAY DECLINE.

The success of our business currently depends, and for the immediate future will continue to substantially depend, on the sale of the LivePerson service. Therefore, we believe that initial sales, ongoing monthly fees and the sale of additional seats to existing clients will account for substantially all of our revenue for the immediate future. We introduced our LivePerson service in November 1998, and we currently have signed contracts with more than 450 clients. We cannot be certain that there will be client demand for our service or that we will be successful in penetrating the market for real-time sales and customer service technology. A decline in the price of, or fluctuation in the demand for, the LivePerson service, is likely to cause our revenue to decline. In addition, if our clients were to reduce the number of seats used or fail to purchase additional seats, our revenue might not increase.

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

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

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

We expect our quarterly revenue and operating results to fluctuate significantly in the future due to a variety of factors, many of which are outside our control. These factors include:

- market acceptance of real-time sales and customer service technology;
- our clients' business success;
- our clients' demand for seats;
- seasonal factors affecting our clients' businesses;
- our ability to attract and retain clients;
- the amount and timing of capital expenditures and other costs relating to the expansion of our operations, including those related to acquisitions;

- the introduction of new services by us or our competitors;
- changes in our pricing policies or the pricing policies of our competitors;
- economic conditions specific to the Internet, electronic commerce and online media; and
- general economic conditions.

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

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

COMPETITION FOR PERSONNEL IN OUR INDUSTRY IS INTENSE.

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

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

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

Further, as a result of our growth, the number of our employees grew from 6 at December 31, 1998 to 73 at December 31, 1999. We also plan to significantly expand our personnel, particularly in the area of technology. We cannot assure you that we will be successful in integrating these new employees or that such integration will not distract valuable management resources.

In addition, we have recently hired certain members of our senior management team, who do not have significant experience working with us or together. The process of integrating new members of our senior management team can be time-consuming and may distract other members of management from the operation of our business. If members of our senior management are unable to work together successfully or manage our growth, our business will be harmed.

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

Our service appears as a LivePerson-branded or custom-created icon on our clients' Web sites. When a customer or other Web visitor clicks on the icon, a pop-up dialogue window appears,

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

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

Building recognition of our brand is critical to establishing first-mover advantages and attracting new clients. If we fail to successfully promote and maintain our brand or incur significant expenses in promoting our brand without an associated increase in our revenue, our business, results of operations and financial condition may be materially and adversely affected.

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

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

In addition, we rely on a limited number of Web hosting services which have, in the past, experienced problems that have resulted in slower than normal response times and interruptions in service. If we are unable to continue utilizing the services of our existing Web hosting providers or if our Web hosting services experience interruptions or delays, it is possible that our business could be harmed.

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

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

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

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

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

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

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

- enhance our existing services;
- develop and offer new services that address the increasingly sophisticated and varied needs of our prospective clients and users; and
- respond to technological advances and emerging industry standards and practices in a cost-effective and timely manner.

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

OUR OPERATING RESULTS MAY FLUCTUATE DUE TO SEASONAL FACTORS AFFECTING OUR CLIENTS.

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

OUR BUSINESS COULD BE MATERIALLY AND ADVERSELY AFFECTED BY INCREASED COMPETITION.

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

We compete directly with companies focused on technology that facilitates real-time sales and customer service interaction. Our competitors include customer service enterprise software

providers such as eGain Communications Corp., eShare Technologies, Inc., Kana Communications, Inc. and WebLine Communications (a part of Cisco Systems' applications technology group), some of which are beginning to offer hosted solutions.

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

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

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

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

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

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

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

WE MAY NOT BE ABLE TO SUCCESSFULLY INTEGRATE POTENTIAL FUTURE ACQUISITIONS.

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

- difficulties in integrating operations, technologies, products and personnel;
- diversion of financial and management resources from existing operations;
- risks of entering new markets;
- potential loss of key employees; and
- inability to generate sufficient revenue to offset acquisition or investment costs.

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

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

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

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

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

- our pending patent application may not result in the issuance of a patent;
- any patent issued may not be broad enough to protect our intellectual property rights;
- any patent issued could be successfully challenged by one or more third parties, which could result in our loss of the right to prevent others from exploiting the invention claimed in the patent;
- current and future competitors may independently develop similar technology, duplicate our service or design around any patent we may have; and
- effective patent protection may not be available in every country in which we do business.

We also rely upon copyright, trade secret and trademark law, written agreements and common law to protect our proprietary technology, processes and other intellectual property, to the extent that protection is sought or secured at all. We currently have a common law trademark, "LivePerson", and three pending U.S. trademark applications. It is possible that these applications will not be approved. In addition, we do not have any trademarks registered outside the U.S., nor do we have any trademark applications pending outside the U.S. We cannot assure you that any steps we might take will be adequate to protect against infringement and misappropriation of our intellectual property by third parties. Similarly, we cannot assure you that third parties will not be able to independently develop similar or superior technology, processes or other intellectual property. The unauthorized reproduction or other misappropriation of our intellectual property rights could enable third parties to benefit from our technology without paying us for it. If this occurs, our business, results of operations and financial condition would be materially and adversely affected. In addition, disputes concerning the ownership or rights to use intellectual property could be costly and time-consuming to litigate, may distract management from operating our business and may result in our loss of significant rights.

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

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

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

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

OUR BUSINESS IS DEPENDENT ON A FEW KEY EMPLOYEES.

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

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

If third parties were able to penetrate our network security or otherwise misappropriate personal information relating to our clients' customers or the text of customer service inquiries, we could be subject to liability. We could be subject to claims for impersonation or other similar fraud claims, as well as for other misuses of personal information, such as for unauthorized marketing purposes. These claims could result in litigation which could have a material adverse effect on our business, results of operations and financial condition. We may incur significant

costs to protect against the threat of security breaches or to alleviate problems caused by such breaches.

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

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

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

This prospectus contains various third-party data and projections, including those relating to Internet business activity. These data and projections have been included in the results of studies prepared by third parties, and purport to be based on surveys, reports and models used by these firms. Actual results or circumstances may be materially different from the data or projections. Any difference could reduce our revenue and harm our results of operations. These data and projections are imprecise and you should not rely on them.

RISKS RELATED TO OUR INDUSTRY

WE ARE DEPENDENT ON CONTINUED GROWTH IN THE USE OF THE INTERNET AND COMMERCIAL ONLINE SERVICES AS MEDIA FOR COMMERCE.

We cannot be sure that a sufficiently broad base of consumers will adopt, and continue to use, the Internet and commercial online services as media for commerce. Even if consumers adopt the Internet or commercial online services as media for commerce, we cannot be sure that the necessary infrastructure will be in place to process such transactions. Our long-term viability depends substantially upon the widespread acceptance and development of the Internet or commercial online services as effective media for consumer commerce. Use of the Internet or commercial online services to effect retail transactions is at an early stage of development. Convincing our clients to offer real-time sales and customer service technology may be difficult.

Demand for recently introduced services and products over the Internet and commercial online services is subject to a high level of uncertainty. Few proven services and products exist.

The development of the Internet and commercial online services into a viable commercial marketplace is subject to a number of factors, including:

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

WE DEPEND ON THE CONTINUED VIABILITY OF THE INFRASTRUCTURE OF THE INTERNET AND OTHER COMMERCIAL ONLINE SERVICES.

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

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

Laws and regulations directly applicable to Internet communications, commerce and advertising are becoming more prevalent. Laws and regulations may be adopted covering issues such as user privacy, content, pricing, taxation and quality of products and services. Any new legislation could hinder the growth in use of the Internet and other online services generally and decrease the acceptance of the Internet and other online services as media of communications, commerce and advertising. The governments of states and foreign countries might attempt to regulate our clients' and their customers' transmissions or levy sales or other taxes. The laws governing the Internet remain largely unsettled, even in areas where legislation has been enacted. It may take several years to determine whether and how existing laws such as those governing intellectual property, taxation and personal privacy apply to the Internet and Internet services. In addition, the growth and development of the market for Internet commerce may prompt calls for more stringent consumer protection laws, both in the U.S. and abroad, which may impose additional burdens on companies conducting business online. Our business, results of

operations and financial condition could be materially and adversely affected by the adoption or modification of laws or regulations relating to the Internet.

In addition, a component of the LivePerson service, the "Browser / IP Address Tracker," allows our clients to capture and save information about their customers (possibly without their knowledge), which information is commonly referred to as a "cookie." To the extent that legislation regarding Internet user privacy is enacted, including legislation limiting the collection and use of information regarding Internet users (as has been proposed), the effectiveness of the LivePerson service, including that of our "Browser / IP Address Tracker," could be impaired. This could hinder the growth of the Internet and other online services generally and decrease the acceptance of the Internet and other online services as media of communications, commerce and advertising. Any of the foregoing could harm our business, results of operations and financial condition.

SECURITY CONCERNS COULD HINDER COMMERCE ON THE INTERNET.

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

RISKS RELATED TO THIS OFFERING

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

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

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

After this offering, we will have outstanding shares of common stock. Of these shares, the shares sold in this offering will be freely tradable except for any shares purchased by our "affiliates" as that term is used in Rule 144 of the Securities Act. The

remaining shares will become available for resale in the public market at various times in the future. This information is summarized in the chart below.

NUMBER OF SHARES	DATE OF AVAILABILITY FOR RESALE INTO THE PUBLIC MARKET
	Immediately.
	90 days after the date of this prospectus in compliance with the requirements of the federal securities laws.
	180 days after the date of this prospectus due to an agreement these stockholders have with the underwriters. However, the underwriters can waive this restriction and allow these stockholders to sell their shares at any time without prior notice.
	After 181 days after the date of this prospectus in compliance with the requirements of the federal securities laws.

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

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

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

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

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

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

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

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

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

Provisions of our amended and restated certificate of incorporation, our amended and restated bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders.

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

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

FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of the shares of common stock in this offering of \$ million, assuming an initial public offering price of \$ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be \$ million.

We presently intend to use a portion of the proceeds for general corporate purposes, including working capital. We also believe opportunities may exist to expand our current business through strategic alliances and acquisitions, and we may utilize a portion of the proceeds for such purposes. We are not currently a party to any contracts or letters of intent with respect to any strategic alliances or acquisitions.

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

DIVIDEND POLICY

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

CAPITALIZATION

The following table sets forth our cash and cash equivalents, and capitalization as of September 30, 1999:

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

The information set forth in the table below is based on shares outstanding as of September 30, 1999, and excludes:

- shares of common stock reserved for issuance under our 2000 Stock Incentive Plan, of which 3,160,980 shares are issuable upon the exercise of stock options outstanding as of January 28, 2000 with a weighted average exercise price of \$2.51 per share;
- 63,000 shares of common stock reserved for issuance upon the exercise of stock options with an exercise price of \$2.40 per share granted outside of the predecessor to our 2000 Stock Incentive Plan;
- shares of common stock reserved for issuance under our 2000 Employee Stock Purchase Plan; and
- 479,166 shares of common stock issuable upon the exercise of warrants outstanding as of January 28, 2000, with a weighted average exercise price of \$2.40 per share.

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

	SEPTEMBER 30, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(DOLLARS IN THOUSANDS)		
Cash and cash equivalents.....	\$19,378 =====	\$37,278 =====	\$ =====
Series C redeemable convertible preferred stock, \$.001 par value; actual--5,132,433 shares authorized, issued and outstanding; pro forma and pro forma as adjusted--no shares authorized, issued or outstanding.....	\$18,990	\$ --	\$
Series D redeemable convertible preferred stock, \$.001 par value; actual, pro forma and pro forma as adjusted--no shares authorized, issued or outstanding.....	--	--	
Stockholders' equity:			
Series A convertible preferred stock, \$.001 par value; actual--2,541,667 shares authorized, issued and outstanding; pro forma and pro forma as adjusted--no shares authorized, issued or outstanding.....	3	--	
Series B convertible preferred stock, \$.001 par value; actual--1,142,857 shares authorized, issued and outstanding; pro forma and pro forma as adjusted--no shares authorized, issued or outstanding.....	1	--	
Preferred stock, \$.001 par value, actual and pro forma--no shares authorized, issued or outstanding; pro forma as adjusted-- shares authorized and no shares issued or outstanding.....	--	--	
Common stock, \$.001 par value; actual--30,000,000 shares authorized and 4,728,000 shares issued and outstanding; pro forma-- shares authorized and 16,702,852 shares issued and outstanding; pro forma as adjusted-- shares authorized and shares issued and outstanding.....	5	17	
Additional paid-in capital.....	4,767	41,649	
Deferred compensation.....	(8)	(8)	
Accumulated deficit.....	(3,362)	(3,362)	
Total stockholders' equity.....	1,406	38,296	
Total capitalization.....	\$20,396 =====	\$38,296 =====	\$ =====

DILUTION

Our pro forma net tangible book value as of September 30, 1999 was approximately \$38.3 million, or approximately \$2.29 per share. Pro forma net tangible book value per share is determined by dividing the amount of our pro forma tangible net worth (pro forma total tangible assets less total liabilities) by the number of shares of our common stock outstanding after giving pro forma effect to the receipt of net proceeds of approximately \$17.9 million from the sale of our series D redeemable convertible preferred stock on January 27, 2000 and to the automatic conversion of each outstanding share of our convertible preferred stock into common stock on a one-for-one basis upon the closing of this offering. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by investors in this offering and the net tangible book value per share of common stock immediately after the completion of this offering. After giving effect to our sale of _____ shares offered hereby at an assumed initial public offering price of \$ _____ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses and the application of the estimated net proceeds therefrom, our pro forma net tangible book value as of September 30, 1999 would have been \$ _____, or \$ _____ per share. This represents an immediate increase in pro forma net tangible book value of \$ _____ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of \$ _____ per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....	\$
Pro forma net tangible book value per share at September 30, 1999.....	\$
Increase per share attributable to new investors.....	-----
Pro forma net tangible book value per share after this offering.....	-----
Dilution per share to new investors.....	\$ =====

The following table sets forth, on a pro forma basis as of September 30, 1999, after giving effect to the automatic conversion of all outstanding shares of preferred stock into common stock upon the closing of this offering, the total number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid to us by existing stockholders and by new investors who purchase shares of common stock in this offering, before deducting the estimated underwriting discounts and commissions and estimated offering expenses, assuming an initial public offering price of \$ _____ per share:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
	-----	-----	-----	-----	-----
Existing stockholders.....		%	\$	%	\$
New investors.....					
Total.....	=====	100.0%	\$	100.0%	
	=====	=====	=====	=====	

The foregoing tables and calculations assume no exercise of any stock options or warrants outstanding as of September 30, 1999. Specifically, these tables and calculations exclude:

- _____ shares of common stock reserved for issuance under our 2000 Stock Incentive Plan, of which 3,160,980 shares are issuable upon the exercise of stock options outstanding as of January 28, 2000 with a weighted average exercise price of \$2.51 per share;

- 63,000 shares of common stock reserved for issuance upon the exercise of stock options with an exercise price of \$2.40 per share granted outside of the predecessor to our 2000 Stock Incentive Plan;
- shares of common stock reserved for issuance under our 2000 Employee Stock Purchase Plan; and
- 479,166 shares of common stock issuable upon the exercise of warrants outstanding as of January 28, 2000, with a weighted average exercise price of \$2.40 per share.

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

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The selected balance sheet data as of December 31, 1997 and 1998, and the selected statement of operations data for each of the years in the three-year period ended December 31, 1998 have been derived from our audited financial statements included elsewhere in this prospectus. The balance sheet data as of December 31, 1996 have been derived from our audited financial statements not included in this prospectus. The statement of operations data for the nine months ended September 30, 1998 and 1999, and the balance sheet data as of September 30, 1999 have been derived from unaudited financial statements included in this prospectus. In our opinion, the unaudited financial statements have been prepared on substantially the same basis as the audited financial statements appearing elsewhere in this prospectus and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the data. We were incorporated in 1995 but did not commence operations until 1996. Historical results are not indicative of the results to be expected in the future and results of interim periods are not necessarily indicative of results for the entire year. You should read these selected financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our financial statements and the related notes included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1998	1998	1999
STATEMENT OF OPERATIONS DATA:					
Revenue:					
Service revenue.....	\$ --	\$ --	\$ 1	\$ --	\$ 186
Programming revenue.....	11	245	378	315	36
Total revenue.....	\$ 11	\$ 245	\$ 379	\$ 315	\$ 222
Operating expenses:					
Cost of revenue.....	6	121	70	56	248
Product development.....	--	--	93	59	778
Sales and marketing.....	--	--	33	22	1,880
General and administrative.....	36	130	203	178	878
Total operating expenses.....	42	251	399	315	3,784
Loss from operations.....	(31)	(6)	(20)	0	(3,562)
Other income (expense):					
Interest income.....	1	--	--	--	257
Interest expense.....	--	--	--	--	(1)
Total other income (expense), net.....	1	--	--	--	256
Net loss.....	\$ (30)	\$ (6)	\$ (20)	\$ --	\$ (3,306)
Basic and diluted net loss per share.....	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.70)
Weighted average basic and diluted shares outstanding.....	4,728,000	4,728,000	4,728,000	4,728,000	4,728,000
Pro forma basic and diluted net loss per share.....					\$ (0.36)
Shares used in pro forma basic and diluted net loss per share.....					9,172,051

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

	DECEMBER 31,			SEPTEMBER 30,
	1996	1997	1998	1999
BALANCE SHEET DATA:				
Cash and cash equivalents.....	\$ 2	\$ 10	\$ 107	\$ 19,378
Working capital (deficiency).....	(29)	(35)	(30)	19,309
Total assets.....	2	30	142	21,427
Redeemable convertible preferred stock...	--	--	--	18,990

Total stockholders' equity (deficit).....

(29)

(35)

(30)

1,406

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

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

OVERVIEW

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

Our business was incorporated in the State of Delaware in November 1995 under the name Sybarite Interactive Inc.; however, we did not commence operations until 1996. We had no significant revenue until 1997, when we began to generate revenue from services primarily related to Web-based community programming and media design. In 1998, we shifted our core business focus to the development of the LivePerson service and phased out our prior programming efforts. We introduced the LivePerson service in November 1998.

REVENUE

Our clients pay us an initial non-refundable set-up fee, as well as a monthly fee for each seat. Our set-up fee is intended to recover certain costs incurred by us (principally customer service, training and other administrative costs) prior to deployment of our service. Such fees are recorded as deferred revenue and recognized over a period of 24 months, representing the estimated expected term of a client relationship. We do not charge an additional set-up fee if an existing client adds more seats. We recognize monthly service revenue fees as services are provided.

OPERATING EXPENSES

Prior to our offering the LivePerson service, our cost of revenue associated with programming activity consisted primarily of outsourced programming and design and related expenses. Since November 1998, our cost of revenue associated with the LivePerson service has consisted of:

- internal client service and network support staff compensation, allocated occupancy costs and related overhead; and
- the cost of supporting our infrastructure, including expenses related to leasing space and connectivity for our services, as well as depreciation of certain hardware and software.

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

Our sales and marketing expenses consist of compensation and related expenses for sales personnel and marketing personnel, allocated occupancy costs and related overhead, advertising,

sales commissions, marketing programs, public relations, promotional materials, travel expenses and trade show exhibit expenses.

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

COMPENSATION EXPENSE

Through September 30, 1999, we recorded an aggregate of \$96,000 of compensation expense in connection with our grants to consultants of options to acquire an aggregate of 205,340 shares of common stock. The expenses were determined using a Black-Scholes pricing model.

In May 1999, we issued options to purchase 63,000 shares of common stock at an exercise price of \$2.40 per share to a client. These options will vest in or before May 2001 if the client meets certain defined revenue targets. We account for these options in accordance with Emerging Issues Task Force Abstract No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." Pursuant to EITF-96-18, we valued the option using a Black-Scholes pricing model. The \$43,000 value ascribed to these options reflects their estimated market value at September 30, 1999, and has been recorded as deferred cost. This cost is being ratably amortized over the two-year vesting period, as we believe that the achievement of the revenue targets is probable. The value ascribed to these options will be adjusted at each balance sheet date, to bring the total charge up to the then current market value. We had amortized \$6,000 of the deferred costs as of September 30, 1999.

During the fourth quarter of 1999 and for the period from January 1, 2000 through January 28, 2000, we granted stock options to purchase 381,500 and 815,750 shares of common stock, respectively, to employees, at a weighted average exercise price of \$3.00 and \$4.01 per share, respectively.

In December 1999, we recorded compensation expense in connection with the options granted to an advisor to purchase 100,000 shares of common stock at an exercise price of \$3.00 per share.

RESULTS OF OPERATIONS

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

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1999

REVENUE. Revenue decreased to \$222,000 in the nine months ended September 30, 1999, from \$315,000 in the comparable period in 1998. Revenue for the nine months ended September 30, 1999 related primarily to sales of the LivePerson service, while revenue in the comparable period in 1998 related primarily to revenue associated with Web-based community programming and media design; accordingly, we believe period-to-period comparisons are not meaningful.

COST OF REVENUE. Cost of revenue increased to \$248,000 in the nine months ended September 30, 1999, from \$56,000 in the comparable period in 1998. This increase was primarily attributable to costs associated with the addition of client services staff as well as depreciation of computer hardware and software.

PRODUCT DEVELOPMENT. Product development costs increased to \$778,000 for the nine months ended September 30, 1999, from \$59,000 in the comparable period in 1998. This increase was

primarily attributable to an increase in the number of LivePerson service product development personnel, and technology development activities related to the LivePerson service.

SALES AND MARKETING. Sales and marketing expenses increased to \$1.9 million for the nine months ended September 30, 1999, from \$22,000 in the comparable period in 1998. This increase was primarily attributable to an increase in salaries and related expenses resulting from the hiring of additional sales and marketing employees and to an increase in advertising and promotional expenses, both of which related to the LivePerson service.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased to \$878,000 for the nine months ended September 30, 1999, from \$178,000 in the comparable period in 1998. This increase was due primarily to increases in personnel expenses related to support and administration, occupancy costs, and, to a lesser extent, an increase in recruitment costs.

OTHER INCOME. Interest income amounted to \$257,000 for the nine months ended September 30, 1999, and consists of interest earned on cash and cash equivalents.

NET LOSS. Our net loss increased to \$3.3 million for the nine months ended September 30, 1999, from \$0 in the comparable period in 1998.

COMPARISON OF FISCAL YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

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

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

GENERAL AND ADMINISTRATIVE. General and administrative costs increased to \$203,000 in fiscal 1998 from \$130,000 in fiscal 1997. This increase was primarily due to increases in personnel expenses and occupancy costs incurred as our operations grew.

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

COMPARISON OF FISCAL YEARS ENDED DECEMBER 31, 1997 AND 1996

REVENUE. Revenue increased to \$245,000 in fiscal 1997 from \$11,000 in fiscal 1996. This increase was primarily due to the initial growth of our programming services and number of projects.

COST OF REVENUE. Cost of revenue increased to \$121,000 in fiscal 1997 from \$6,000 in fiscal 1996. This increase was primarily due to an increase in outsourced programming and design and related expenses.

PRODUCT DEVELOPMENT. We did not incur any product development costs in fiscal 1997 or in fiscal 1996.

SALES AND MARKETING. We did not incur any sales and marketing expenses in fiscal 1997 or in fiscal 1996.

GENERAL AND ADMINISTRATIVE. General and administrative costs increased to \$130,000 in fiscal 1997 from \$36,000 in fiscal 1996. This increase was primarily due to increases in support personnel expenses and occupancy costs associated with our programming services.

NET LOSS. Our net loss decreased to \$6,000 in fiscal 1997 from \$30,000 in fiscal 1996.

QUARTERLY RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our financial information for the three most recent quarters ended September 30, 1999. In our opinion, this unaudited information has been prepared on a basis consistent with our annual financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the unaudited information for the periods presented. This information should be read in conjunction with the financial statements, including the related notes, included elsewhere in this prospectus. The results of operations for any quarter are not necessarily indicative of results that we may achieve for any subsequent periods.

	QUARTER ENDED		
	MARCH 31, 1999	JUNE 30, 1999	SEPTEMBER 30, 1999
	(IN THOUSANDS)		
Revenue:			
Service revenue.....	\$ 15	\$ 26	\$ 145
Programming revenue.....	9	23	4
Total revenue.....	24	49	149
Operating expenses:			
Cost of revenue.....	24	51	173
Product development.....	186	145	447
Sales and marketing.....	51	397	1,432
General and administrative.....	161	239	478
Total operating expenses.....	422	832	2,530
Loss from operations.....	(398)	(783)	(2,381)
Other income (expense):			
Interest income.....	20	38	199
Interest expense.....	(1)	--	--
Total other income (expense), net.....	19	38	199
Net loss.....	\$ (379)	\$ (745)	\$ (2,182)

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

Programming revenue represents income from business activities which we are no longer actively pursuing. We do not anticipate any significant programming revenue in the future.

Our total operating expenses have increased significantly in absolute terms in each of the last three quarters. As a percentage of revenue, operating expenses declined slightly over the period. We expect our operating expenses to continue to increase as we expand our business.

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

Product development costs increased significantly in absolute dollar terms over the last three quarters principally as a result of increased headcount and increased depreciation expense related to computer equipment. As a percentage of revenue, however, product development costs in each of the three quarters declined.

In particular, our sales and marketing expense has increased significantly in each of the previous three quarters due to increases in the size of our sales and marketing staff and an increase in marketing-related activities. The increase in sales staff headcount is attributable to the expansion of our sales efforts. The increase in our marketing headcount and related expenses is due to our increasing efforts to enhance our brand recognition. We expect sales and marketing expense to continue to increase as we expand our business.

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

Other income (expense), which is principally comprised of interest income earned on cash and cash equivalents, has increased in each of the three quarters ended September 30, 1999. The increase, particularly in the third quarter, is due primarily to interest earned on the net proceeds from the July 1999 private placement of our series C redeemable convertible preferred stock. We expect interest income to increase with the investment of the proceeds from the issuance of our series D redeemable convertible preferred stock and of this offering in short-term, interest-bearing, investment-grade securities, pending our use of such proceeds.

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

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed our operations principally through cash generated by private placements of our convertible preferred stock. Through September 30, 1999, we have raised a total of \$23.5 million in aggregate net proceeds in three private placements. As of September 30, 1999, we had \$19.4 million in cash and cash equivalents, an increase of \$19.3 million from December 31, 1998. In addition, on January 27, 2000, we issued 3,157,895 shares of series D redeemable convertible preferred stock at \$5.70 per share, raising total net proceeds of \$17.9 million.

Net cash used in operating activities was \$3.6 million for the nine months ended September 30, 1999. Net cash provided by operating activities was \$19,000 and \$42,000 for the years ended December 31, 1998 and 1997, respectively. Net cash used in operating activities for the nine months ended September 30, 1999 consisted primarily of net operating losses, depreciation expense, non-cash compensation and changes in our operating assets and liabilities. Net cash provided by operating activities for the years ended December 31, 1998 and 1997 was primarily due to changes in our operating assets and liabilities, partially offset by net operating losses and non-cash compensation charges.

Net cash used in investing activities was \$593,000 for the nine months ended September 30, 1999 and \$0 for each of the years ended December 31, 1998 and 1997. Net cash used in investing activities for the nine months ended September 30, 1999 was related to purchases of property and equipment. There were no investments in fixed assets for the years ended December 31, 1998 or 1997.

Net cash provided by financing activities was \$23.5 million for the nine months ended September 30, 1999 and \$78,000 for the year ended December 31, 1998. Net cash used in financing activities was \$34,000 for the year ended December 31, 1997. Net cash provided by financing activities for the nine months ended September 30, 1999 was attributable to proceeds from the sale of our convertible preferred stock. Net cash provided by financing activities for 1998 was principally attributable to \$100,000 in proceeds from the issuance of a note payable, which was converted into 83,333 shares of our series A convertible preferred stock in January 1999. Net cash used in financing activities in 1997 was attributable to an advance made to an officer.

As of September 30, 1999, our principal commitments consisted of obligations outstanding under operating leases. Although we have no material commitments for capital expenditures, we anticipate an increase in capital expenditures and lease commitments consistent with our anticipated growth in operations, infrastructure and personnel.

We have incurred significant net losses and negative cash flows from operations since inception, and as of September 30, 1999, had an accumulated deficit of \$3.4 million. These losses have been funded primarily through the issuance of our convertible preferred stock. We intend to continue to invest heavily in sales, marketing, promotion, technology and infrastructure development as we grow. As a result, we expect to continue to incur operating losses and negative cash flows for the foreseeable future.

We believe that the net proceeds from this offering, together with the proceeds from the sale of our series D redeemable convertible preferred stock and our current cash and cash equivalents will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. If cash generated from operations is insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or seek alternative sources of financing. If we are unable to obtain this additional financing, we may be required to reduce the scope of our planned sales and marketing and product development efforts, which could harm our business, financial condition and operating results.

YEAR 2000

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

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

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

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

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

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

- operational inconveniences and inefficiencies for us, our suppliers and our clients that may divert management's time and attention from ordinary business activities; and
- some clients may postpone their purchases of our service and we will experience a decrease in revenue.

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

RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

OVERVIEW

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

We are an Application Service Provider (ASP), and we offer our proprietary real-time interaction technology as an outsourced service. Our technology requires no software or hardware installation by our clients or their customers. We offer low start-up costs and reasonable ongoing monthly fees, short set-up times, automatic upgrades and the ability to add capacity upon request.

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

Our technology was recently recognized by PC COMPUTING magazine as "the easiest to set up and manage" of several Web-based tools evaluated, and was awarded the top 5-star rating. We currently have signed contracts with more than 450 clients, including numerous online retailers, online service providers and traditional offline businesses with a Web presence. Our clients include Beauty.com, EarthLink, E-LOAN, GMAC's ditech.com, Intuit, iQVC, LookSmart, ShopNow and Webvan.

INDUSTRY BACKGROUND

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

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

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

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

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

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

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

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

In order to provide high quality service to customers and other Web users, companies require a customer interaction solution that:

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

THE LIVEPERSON SOLUTION

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

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

conversation by linking the Internet user and our clients' CSRs through our proprietary technology, which resides on our servers.

We create and store conversation transcripts and related data and provide our clients with tools to analyze the stored information. We also enable our clients to generate optional customer exit surveys, which our clients can use to collect additional information about their customers.

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

- MAXIMIZE SALES OPPORTUNITIES. Our clients are able to respond to customer inquiries in real time. Live customer interaction creates opportunities to:
 - answer questions on demand and resolve customer issues as they occur;
 - assist in closing sales that might otherwise have been abandoned without direct one-to-one real-time interaction; and
 - market additional products and services in order to increase average order sizes.
- STRENGTHEN CUSTOMER RELATIONSHIPS. Personalized service generates increased customer satisfaction. Our service enables our clients to build relationships with their customers and offers our clients the opportunity to market to their customers on a one-to-one basis. Furthermore, transcripts from LivePerson conversations and optional exit surveys often provide relevant customer data and valuable real-time feedback. Our clients may then use this information to modify product offerings and marketing efforts, improve Web site navigation and refine their FAQ listings.
- REDUCE OPERATING COSTS. Our clients' experience has shown that a single operator can interact with as many as four users simultaneously. As a result, an operator can provide service to more customers, thereby reducing costs per customer interaction. In addition, our clients can create pre-formatted responses (PFRs) to customer questions, allowing them to improve response time and operator efficiency. An operator can simply choose and, where appropriate, slightly modify a PFR to answer many questions.

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

- LOW SET-UP COSTS AND REASONABLE ONGOING FEES. We charge our clients a low set-up fee and reasonable ongoing monthly fees.
- EFFECTIVE USE OF INTERNAL RESOURCES. Because the LivePerson service is an outsourced application, our clients can devote their information technology resources to other priorities.
- RAPID DEPLOYMENT. We provide the technology needed to facilitate real-time sales and customer service without plug-ins or customization. Our clients do not need to install any hardware or software in order to immediately provide the LivePerson service. In addition, our clients' operators and customers can use our service with any standard Web browser.
- AUTOMATIC UPGRADES. We install all upgrades to the LivePerson service on our servers. As a result, upgrades are immediately available for use and require no action by either our clients or their customers.
- EASE OF EXPANSION. Our clients can add additional operator seats simply by requesting them, enabling the LivePerson service to meet our clients' growth needs.

OUR STRATEGY

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

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

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

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

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

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

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

EXPANDING OUR INTERNATIONAL PRESENCE. We currently have signed contracts with more than 35 non-U.S. based clients in Europe, Asia, South America and the Middle East, all of which were sold and are serviced by our U.S. offices. We intend to expand our international presence to better penetrate these markets and are evaluating strategies to implement international expansion.

THE LIVEPERSON SERVICE

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

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

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

[GRAPHIC APPEARS HERE]

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

[GRAPHIC APPEARS HERE]

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

CUSTOMER INTERACTION ENGINE. The customer interaction engine is the core of real-time communication between our clients' operators and their customers.

- **REAL-TIME TEXT-BASED INTERACTION.** Real-time text-based interaction is the communication vehicle between our clients' operators and their customers. Text is currently the preferred method of communication because it requires no special plug-ins or hardware and it can be stored and analyzed.
- **IMAGE / LINK / PAGE PRESENTER.** An operator may present photographs, images or links to other Web pages or sites in the dialogue window in response to customer queries. An operator may also "push" Web pages to a customer's screen.
- **SHOPPING CART CONVERTER.** The shopping cart converter is a pop-up window feature that is often used to help prevent shopping cart abandonment. Typically, after a customer has been at a shopping cart for a set period, a pop-up window will appear offering assistance. This enables the customer to instantly ask a question before completing or potentially abandoning a transaction.
- **EXIT SURVEY.** A customizable exit survey is presented to the customer after each conversation. The survey can be modified in real time and is used by our clients primarily for gathering customer feedback, creating customer profiles and quality control.

[GRAPHIC APPEARS HERE]

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

DIRECT MARKETING ENGINE. The direct marketing engine enables Web site owners to classify customers and target outbound email to selected groups.

- **GROUP PROFILER.** The group profiler provides administrators with the power to analyze, profile and classify customers based on various data collected in an exit survey. This is used by the administrator to understand customer patterns and to create customer groups.
- **EMAIL TARGETER.** Based on information collected in exit surveys, the email targeter allows clients to target sales and marketing campaigns to selected customer groups.

[GRAPHIC APPEARS HERE]

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

OPERATOR CONTROL ENGINE. The operator control engine enables operators to efficiently manage interactions with multiple customers.

- **SKILL-BASED ROUTING.** Customers can be routed to specific operators based on the operator's particular knowledge of specific products or services. For example, many of our clients have specialized operator groups focusing separately on sales or customer service to whom they selectively route inquiries. This routing complements and partially automates the alternative operator transfer capability.
- **ALTERNATIVE OPERATOR TRANSFER.** The operator can transfer a customer to another CSR or to an administrator with unique skills or knowledge.
- **PFRS.** The operator can use and modify PFRs to assist in responding to a customer, rather than manually typing a response. PFRs are usually created by administrators and may be accessed and modified on a real-time basis to continuously improve response time and quality. Operators preview and may edit PFRs to respond appropriately to customer inquiries.

[GRAPHIC APPEARS HERE]

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

ADMINISTRATOR CONTROL ENGINE. The administrator control engine enables administrators to manage operators.

- OPERATOR EVALUATION TOOL. The administrator can view operator call activity by date, time, length and number of dialogues, and CSR response time, enabling real time operator evaluation.
- REAL-TIME OPERATOR CONTROL CENTER. The administrator can view the conversations between all operators online and their customers. Administrators can also participate in conversations to help operators respond to inquiries.

[GRAPHIC APPEARS HERE]

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

CUSTOMER DATA COLLECTION ENGINE. The customer data collection engine captures, stores and processes all customer information.

- TEXT-BASED TRANSCRIPTS. All textual data, including exit survey data, are archived in an indexed database which can be queried on several criteria. Multiple transcripts from conversations with the same customer are saved within one record set, ensuring that an exact history of the customer's interaction is accurately maintained. Transcripts of prior conversations can be viewed by operators in real time as they interact with customers.
- LAST-PAGE VIEWED TRACKER. The specific page that the customer viewed before entering into a LivePerson text-based interaction is captured and saved with the transcript of the dialogue.
- BROWSER / IP ADDRESS TRACKER. The customer's browser type and IP address are captured and saved with the transcript of the dialogue.
- EXIT SURVEY ANALYZER. Survey results and summaries can be instantly displayed, queried and graphed.

CLIENTS

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

The following is a selected list of clients using the LivePerson service as of December 31, 1999:

RETAILERS

APC
Beauty.com
CollegeClub.com
Gifts.com
iQVC
Miadora
Neiman Marcus
Playboy
Proflowers.com
ShopNow
Timex
Webvan

SERVICE PROVIDERS

AirTouch Cellular
CarFinance.com
Digital Tsunami
EarthLink
E-LOAN
Financial Times
GMAC's ditech.com
Intuit
LookSmart
National Discount Brokers
ScreamingMedia
Verio

SALES, CLIENT SUPPORT AND MARKETING

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

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

We also have several contractual arrangements that complement our direct sales force. These are primarily with Web hosting and call center service companies, and are in the form of value-added reseller or referral agreements.

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

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

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

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

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

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

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

COMPETITION

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

We compete directly with companies focused on technology that facilitates real-time sales and customer service interaction. Our competitors include customer service enterprise software providers such as eGain Communications Corp., eShare Technologies, Inc., Kana Communications, Inc. and WebLine Communications (a part of Cisco Systems' applications technology group), some of which are beginning to offer hosted solutions.

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

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

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

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

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

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

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

TECHNOLOGY

Three key technological features distinguish the LivePerson service:

- All of our customers share the same servers, databases, and network connections. We are therefore able to accommodate our expanding customer base and increasing system usage without incrementally adding new hardware or network infrastructure.
- Our network, hardware and software are designed to accommodate our clients' demand for high-quality 24-hours per day / seven-days per week service.
- As a hosted service we are able to add additional capacity and new features quickly and efficiently. This has enabled us to immediately provide these benefits simultaneously to

our entire client base. In addition, it allows us to maintain a relatively short development and implementation cycle of several weeks.

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

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

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

- Java
- XML (Extensible Mark-up Language)
- HTML (Hypertext Mark-up Language)
- SQL (Structured Query Language)
- Internet Protocol (IP)

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

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

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

GOVERNMENT REGULATION

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

operations and financial condition. In addition, applicability to the Internet of existing laws governing issues such as intellectual property, taxation and personal privacy is uncertain. The vast majority of such laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies.

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

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

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

We rely upon a combination of patent, copyright, trade secret and trademark law, written agreements and common law to protect our proprietary technology, processes and other intellectual property, to the extent that protection is sought or secured at all. We currently have one U.S. patent application pending. To the extent that the invention described in our U.S. patent application was made public prior to the filing of the application, we may not be able to obtain patent protection in certain foreign countries. In addition, we have three pending U.S. trademark applications. The trademark examiner assigned to examine our applications has issued an office action rejecting each of our applications. Although we rely on patent, copyright, trade secret and trademark law, written agreements and common law, we believe that factors such as the technological and creative skills of our personnel, new service developments, frequent enhancements and reliable maintenance are more essential to establishing and maintaining a technology leadership position. We cannot assure you that others will not develop technologies that are similar or superior to our technology. We enter into confidentiality and other written agreements with our employees, consultants and strategic partners, and through written agreements, control access to and distribution of our software, documentation and other proprietary information. Despite our efforts to protect our proprietary rights, third parties may, in an unauthorized manner, attempt to copy or otherwise obtain and use our service or technology or otherwise develop a service with the same functionality as our products. Policing unauthorized use of our products is difficult, and we cannot be certain that the steps we have

taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect proprietary rights as fully as do the laws of the United States.

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

EMPLOYEES

As of December 31, 1999, we had 73 full-time employees. Members of senior management have entered into employment agreements with us, some of which are described in "Management--Employment Agreements." None of our employees are covered by collective bargaining agreements. We believe our relations with our employees are good.

FACILITIES

We currently lease approximately 17,000 square feet at our headquarters location in New York City, expiring in October 2006, and an additional approximately 6,000 square foot location in New York City, expiring in April 2009. We also have a sales office in San Francisco, in space subleased to us by one of our investors, and have executed a lease for an approximately 6,000 square foot location, commencing in March 2000 and expiring in March 2005. We are currently evaluating our space requirements to accommodate our growth in the New York area.

LEGAL PROCEEDINGS

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

MANAGEMENT

EXECUTIVE OFFICERS, KEY EMPLOYEES AND DIRECTORS

The executive officers, key employees and directors of LivePerson, and their ages and positions as of January 28, 2000, are:

NAME	AGE	POSITION
Robert P. LoCascio*	31	President, Chief Executive Officer and Chairman of the Board
Dean Margolis*	42	Chief Operating Officer
Timothy E. Bixby*	35	Executive Vice President, Chief Financial Officer, Secretary and Director
Scott E. Cohen*	41	Executive Vice President, Sales/Client Services
James L. Reagan*	34	Chief Technology Officer
Lixuan An	31	Senior Vice President, Strategic Marketing
Vincent Beese	34	Vice President, Sales
Victor K. Cheng	26	Vice President, Product Management
Dwight D. Foster	37	Vice President, West Coast Sales
Christopher L. Smith	32	Vice President, Client Services
Lawrence A. Wasserman	34	Vice President, Marketing
Richard L. Fields	43	Director
Wycliffe K. Grousbeck	38	Director
Kevin C. Lavan	47	Director
Edward G. Sim	28	Director

* Denotes Executive Officer.

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

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

TIMOTHY E. BIXBY has been our Chief Financial Officer since June 1999, our Secretary and a director since October 1999 and an Executive Vice President since January 2000. From January 1994 until February 1999, Mr. Bixby was Vice President of Finance for Universal Music & Video Distribution Inc., a manufacturer and distributor of recorded music and video products, where he was responsible for internal financial operations, third party distribution deals and strategic business development. From October 1992 through January 1994, Mr. Bixby was Associate Director, Business Development, with the Universal Music Group. Prior to that, Mr. Bixby spent three years in Credit Suisse First Boston's mergers and acquisitions group.

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

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

LIXUAN AN has been our Senior Vice President, Strategic Marketing since January 2000 and was our Senior Vice President, Marketing from June 1999 through January 2000. Before joining us, Ms. An was Senior Vice President for Strategic Marketing at Blau Marketing Technologies, Inc., a direct marketing agency, from June 1998 to December 1998. Prior to this, Ms. An was Director of Worldwide Marketing and Electronic Commerce from June 1996 to June 1998 for Atlas Editions, U.S.A., a direct marketing company. From August 1994 to May 1996, Ms. An was Deputy Director for Economic Development for the City of Stamford, Connecticut.

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

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

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

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

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

RICHARD L. FIELDS has been a director since July 1999. Mr. Fields is a Managing Director of the investment banking firm Allen & Company Incorporated, where he has been employed since 1986. Mr. Fields is a director of Omnipoint Corporation.

WYCLIFFE K. GROUSBECK has been a director since July 1999. Mr. Grousbeck has been a General Partner of Highland Capital Partners, Inc. since August 1996 and joined as an Associate in May 1995. Mr. Grousbeck was the founder, and President from September 1993 to May 1995, of Grousbeck Medical Resources Inc., a start-up consumer medical information and research company.

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

EDWARD G. SIM has been a director since January 1999. Since October 1999, Mr. Sim has been a Managing Director of Wit Capital Corporation's Venture Capital Fund Group. Since April 1998, Mr. Sim has been a Managing Director and Senior Vice President of DT Advisors LLC, which is the managing entity of Dawntreader Fund I LP, and whose members now manage Wit Capital's venture capital funds. From April 1996 to April 1998, Mr. Sim was an Associate with Prospect Street Ventures, a New York venture capital firm, and from May 1994 to April 1996, he was a member of the Structured Derivatives Group at J.P. Morgan Investment Management Inc.

COMPOSITION OF THE BOARD

Prior to the closing of this offering, we intend to file an amended and restated certificate of incorporation pursuant to which our board of directors will be divided into three classes, each of whose members will serve for a staggered three-year term. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires. Our board of directors has resolved that Mr. Fields and Mr. Sim will be Class I Directors whose terms expire at the 2000 annual meeting of stockholders. Mr. Grousbeck and Mr. Bixby will be Class II Directors whose terms expire at the 2001 annual meeting of stockholders. Mr. Lavan and Mr. LoCascio will be Class III Directors whose terms expire at the 2002 annual meeting of stockholders. With respect

to each class, a director's term will be subject to the election and qualification of their successors, or their earlier death, resignation or removal.

BOARD COMMITTEES

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

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

DIRECTOR COMPENSATION

Directors who are also our employees receive no additional compensation for their services as directors. Directors who are not our employees will not receive a fee for attendance in person at meetings of the board of directors or committees of the board of directors, but they will be reimbursed for travel expenses and other out-of-pocket costs incurred in connection with attendance at meetings. Pursuant to our 2000 Stock Incentive Plan, non-employee directors will be granted options to purchase common stock upon completion of this offering. In addition, non-employee directors will be granted options to purchase common stock on each anniversary of their election to the board of directors.

EMPLOYMENT AGREEMENTS

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

On January 28, 2000, we entered into a three-year employment agreement with Dean Margolis, our Chief Operating Officer. We will pay Mr. Margolis a fixed annual base salary of \$175,000, plus an annual discretionary bonus. Mr. Margolis is also eligible under the agreement to receive a long-term incentive award, determined by our board, consisting of options to purchase common stock, with the initial award of options to purchase up to 340,000 shares of common stock at a purchase price of \$5.00 per share. These options will begin vesting on July 1,

2000 in four equal annual installments. If, within 24 months after a change in control of our company, we terminate Mr. Margolis without cause or if he terminates his employment with us because we have reduced his compensation or materially changed his duties or responsibilities, we will pay him a lump-sum amount equal to one-half of his annual base salary and any unvested options will vest immediately. In addition, if Mr. Margolis otherwise terminates his employment following a change in control of our company, any options which would have vested within 12 months after such termination will continue to vest under the original vesting schedule. Pursuant to the agreement, for a period of one year from the date of termination of Mr. Margolis's employment, he may not directly or indirectly compete with us including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

Timothy E. Bixby, our Chief Financial Officer, is employed pursuant to an employment agreement entered into as of June 23, 1999, which shall continue until it is terminated by either party. Pursuant to the agreement, Mr. Bixby receives an annual base salary of \$140,000 and an annual discretionary bonus. Mr. Bixby is also eligible to receive a long-term incentive award determined by our board consisting of options to purchase common stock, with the initial award of options to purchase up to 135,000 shares of common stock at a purchase price of \$1.00 per share. Twenty-five percent of those options vested on January 1, 2000 and the remaining options will vest in three equal annual installments starting on January 1, 2001. In October 1999, Mr. Bixby was granted options to purchase up to an additional 65,000 shares of common stock at a purchase price of \$3.00 per share. These options begin vesting on July 1, 2000 in four equal annual installments. In January 2000, Mr. Bixby was granted options to purchase up to an additional 50,000 shares of common stock at a purchase price of \$5.00 per share. These options begin vesting on July 1, 2000 in four equal annual installments. If Mr. Bixby is terminated following a change in control of our company or if he terminates his employment with us following a reduction in his salary, a material change or diminution in his duties or if Robert LoCascio is no longer our President or Chief Executive Officer, all of his options will vest immediately, and we must pay him a lump-sum amount equal to his annual salary, and the pro rata portion of the bonus he would have been entitled to receive for the year in which the termination occurred. Pursuant to the agreement, for a period of one year from the date of termination of Mr. Bixby's employment, he may not directly or indirectly compete with us, including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

Scott E. Cohen, our Executive Vice President, Sales/Client Services, is employed pursuant to an employment agreement entered into as of March 29, 1999. The agreement's initial term expires on March 31, 2000 and has been extended for one year. Mr. Cohen receives an annual base salary of \$185,000 and an annual discretionary bonus. For the first year of the agreement's term, we have agreed to pay Mr. Cohen commissions on a quarterly basis in the amount of 10% of the portion of our gross sales (consisting of revenues from sales invoiced by us, net of tax and other surcharges payable by us and amounts rebated or refunded) in excess of \$1,000,000 during the first year of his employment. For the second year of the agreement's term, we will pay him commissions on a quarterly basis in the amount of 10% of the first \$1,000,000 of gross sales in excess of the amount of gross sales in the first year, plus 7.5% of all gross sales in excess of that amount. Additionally, we granted Mr. Cohen options to purchase up to 392,640 shares of common stock at a purchase price of \$1.20 each. Fifty percent of those options will vest on March 31, 2000 with the remainder vesting on March 31, 2001. If (i) Mr. Cohen is terminated following a sale or a change in control of our company or (ii) if Mr. Cohen chooses to terminate his employment because he is no longer serving in a senior executive capacity or because Robert LoCascio is no

longer our President or Chief Executive Officer, we must pay him the salary and the amount of commissions that he would have earned for a period of four months after the date of termination had we not terminated him, reduced by any amount he earns as a result of his employment by any business in that four-month period. In addition, any options which would have vested on the first vesting date following the date of termination as a result of a change in control will vest immediately upon such termination. Pursuant to the agreement, for a period of one year from the date of termination of Mr. Cohen's employment, he may not directly or indirectly compete with us, including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

On January 3, 2000, we entered into a three-year employment agreement with James L. Reagan, our Chief Technology Officer. We will pay Mr. Reagan a fixed annual base salary of \$165,000, plus an annual discretionary bonus, of which \$20,000 was paid upon commencement of his employment. In addition, Mr. Reagan received a starting bonus of \$20,000. Mr. Reagan is also eligible under the agreement to receive a long-term incentive award, determined by our board, consisting of options to purchase common stock, with the initial award of options to purchase up to 200,000 shares of common stock at a purchase price of \$3.00 per share. These options will begin vesting on January 1, 2001 in four equal annual installments. If, within 24 months after a change in control of our company, we terminate Mr. Reagan without cause, we will pay him a lump sum amount equal to two-thirds of his annual base salary. In addition, any options which would have vested within 24 months after such termination will vest immediately. Pursuant to the agreement, for a period of one year from the date of termination of Mr. Reagan's employment, he may not directly or indirectly compete with us including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

EXECUTIVE COMPENSATION

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

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS
	SALARY (\$)	BONUS (\$)	SECURITIES UNDERLYING OPTIONS (#)
Robert P. LoCascio..... Chief Executive Officer	108,000	50,000	--
Timothy E. Bixby(1)..... Chief Financial Officer	73,231	--	200,000
Scott E. Cohen(2)..... Executive Vice President, Sales/Client Services	138,250	--	392,640

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

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

OPTION GRANTS IN LAST FISCAL YEAR

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

NAME	INDIVIDUAL GRANTS (1)				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE	5% (\$)	10% (\$)
Robert P. LoCascio.....	--	--	--	--	--	--
Timothy E. Bixby.....	135,000	6.7	1.00	June 23, 2009	84,901	215,155
	65,000	3.2	3.00	October 25, 2009	122,634	310,780
Scott E. Cohen.....	392,640	19.4	1.20	March 31, 2004	29,951	161,183

(1) Each option represents the right to purchase one share of common stock. Mr. Bixby's 135,000 options which expire on June 23, 2009 vested 25% on January 1, 2000 and will vest an additional 25% on each anniversary thereof. Mr. Bixby's 65,000 options which expire on October 25, 2009 will vest 25% on July 1, 2000 and will vest an additional 25% on each anniversary thereof. Mr. Cohen's options will vest 50% on March 31, 2000 and 50% on March 31, 2001.

(2) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent our estimate or projection of our future common stock prices. These amounts represent assumed rates of appreciation in the value of our common stock from the assumed fair market value on the date of grant (\$1.00 per share for options which were granted prior to June 30, 1999, and \$3.00 per share for options granted subsequent to June 30, 1999. Actual gains, if any, on stock option exercises are dependent on the future performance of our common stock. The amounts reflected in the table may not necessarily be achieved. See "Risk Factors."

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

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

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999 (\$) (1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Robert P. LoCascio.....	--	--	--	--
Timothy E. Bixby.....	--	135,000	--	540,000
	--	65,000	--	130,000
Scott E. Cohen.....	--	392,640	--	1,492,032

(1) There was no public trading market for our common stock as of December 31, 1999. The assumed fair market value of our common stock on that date, as determined by our board of directors, was \$5.00 per share.

2000 STOCK INCENTIVE PLAN

We intend to adopt the 2000 Stock Incentive Plan (the "2000 Plan"), which is intended to serve (along with the 2000 Employee Stock Purchase Plan) as a successor program to our Stock Option and Restricted Stock Purchase Plan (the "1998 Plan"). The 2000 Plan will become effective upon its adoption by our board of directors and ratification by our stockholders. At that time, all outstanding options under our existing plan will be transferred to the 2000 Plan, and no further option grants will be made under the 1998 Plan. The transferred options will continue to be governed by their existing terms, unless our plan administrator decides to extend one or more features of the 2000 Plan to those options.

shares of our common stock have been authorized for issuance under the 2000 Plan. This share reserve consists of the number of shares we estimate will be carried over from the 1998 Plan plus an additional increase of approximately shares. The share reserve under our 2000 Plan will automatically increase on the first trading day in January each calendar year, beginning with calendar year 2001, by an amount equal to % of the total number of shares of our common stock outstanding on the last trading day of December in the prior calendar year, but in no event will this annual increase exceed shares. In addition, no participant in the 2000 Plan may be granted stock options or direct stock issuances for more than shares of common stock in total in any calendar year. The individuals eligible to participate in our 2000 Plan will include our officers and other employees, our board members and any consultants we hire. Our board of directors may amend or modify the 2000 Plan at any time, subject to any required stockholder approval. The 2000 Plan will terminate no later than , 2010.

2000 EMPLOYEE STOCK PURCHASE PLAN

We intend to adopt the 2000 Employee Stock Purchase Plan (the "ESPP"), which is intended to serve (along with the 2000 Plan) as the successor program to the 1998 Plan. The ESPP will become effective upon its adoption by our board of directors and ratification by our stockholders. The ESPP is designed to allow our eligible employees and the eligible employees of our participating subsidiaries, if any, to purchase shares of common stock, at semiannual intervals,

with their accumulated payroll deductions. _____ shares of our common stock will initially be reserved for issuance. The reserve will automatically increase on the first trading day in January each calendar year, beginning in calendar year 2001, by an amount equal to _____ % of the total number of outstanding shares of our common stock on the last trading day in the prior calendar year. In no event will any such annual increase exceed _____ shares.

The ESPP will have a series of successive offering periods, each with a maximum duration of _____ months. Individuals scheduled to work more than _____ hours per week for more than _____ calendar months per year may join an offering period on the start date or any semiannual entry date within that period. Semiannual entry dates will occur on the first business day of _____ and _____ each year. Individuals who become eligible employees after the start date of an offering period may join the ESPP on any subsequent semiannual entry date within that offering period. A participant may contribute up to _____ % of his or her _____ through payroll deductions, and the accumulated deductions will be applied to the purchase of shares on each semiannual purchase date. The purchase price per share will be equal to 85% of the fair market value per share on the participant's entry date into the offering period or, if lower, 85% of the fair market value per share on the semiannual purchase date. Semiannual purchase dates will occur on the last business day of _____ and _____ each year. However, a participant may not purchase more than _____ shares on any purchase date, and not more than _____ shares may be purchased in total by all participants on any purchase date. Our plan administrator will have the authority to change these limitations for any subsequent offering period. The ESPP will terminate no later than the last business day of _____, 2010. Our board of directors may at any time amend, suspend or discontinue the ESPP. However, certain amendments may require stockholder approval.

CERTAIN TRANSACTIONS

PREFERRED STOCK INVESTMENTS

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

SERIES A CONVERTIBLE PREFERRED STOCK. We sold 2,500,000 shares of series A convertible preferred stock in January 1999 at a purchase price per share of \$1.20 for gross proceeds of \$3,000,000. In these transactions, we sold 937,500 shares to Dawntreader Fund I LP; 937,500 shares to FG-LP; 416,667 shares to Sterling Payot Capital, LP; and 208,333 shares to SAVP Sidecar One LLC, an entity affiliated with Silicon Alley Venture Partners, LLC. A portion of the series A convertible preferred stock issued to FG-LP was issued in satisfaction of a promissory note made by us in the amount of \$100,000, plus interest. In addition, we issued 41,667 shares to Silicon Alley Venture Partners, LLC in exchange for consulting services related to the sale of the series A convertible preferred stock.

We also issued warrants to these investors at an exercise price of \$2.40 per share. These warrants had a purchase price of \$0.005 per warrant, expire in January 2004 and are exercisable at any time. The expiration date of the warrants may be accelerated in certain circumstances, if the managing underwriter of this offering determines that the failure to accelerate the expiration or exercise of the warrant could adversely affect this offering; however, we have been informed by Hambrecht & Quist LLC that they do not intend to do so. These warrants are exercisable for 117,187 shares by Dawntreader Fund I LP; 117,187 shares by FG-LP; 52,083 shares by Sterling Payot Capital, LP; and 26,042 shares by SAVP Sidecar One LLC.

SERIES B CONVERTIBLE PREFERRED STOCK. We sold 1,142,857 shares of series B convertible preferred stock in May 1999 at a purchase price per share of \$1.40 for gross proceeds of \$1,600,000. In these transactions, we sold 892,857 shares to Allen & Company Incorporated; 35,714 shares to Alan Braverman; and 214,286 shares to Sculley Brothers LLC. We also issued warrants to these investors at an exercise price of \$2.40 per share. These warrants had a purchase price of \$0.005 per warrant, expire in May 2004 and are exercisable at any time. The expiration date of the warrants may be accelerated in certain circumstances, if the managing underwriter of this offering determines that the failure to accelerate the warrant could adversely affect this offering; however, we have been informed by Hambrecht & Quist LLC that they do not intend to do so. These warrants are exercisable for 130,209 shares by Allen & Company Incorporated; 5,208 shares by Alan Braverman; and 31,250 shares by Sculley Brothers LLC.

SERIES C REDEEMABLE CONVERTIBLE PREFERRED STOCK. We sold 5,132,433 shares of series C redeemable convertible preferred stock in July 1999 at a purchase price per share of \$3.70 for gross proceeds of \$18,990,000. In these transactions, we sold 2,162,162 shares to Highland Capital Partners IV Limited Partnership and an affiliated entity; 608,108 shares to FG-LPC; 540,540 shares to Dawntreader Fund I LP; 67,568 shares to Allen & Company Incorporated; 810,811 shares to The Goldman Sachs Group, Inc. and an affiliated entity; 202,703 shares to Sterling Payot Capital, L.P.; 48,649 shares to SAVP Sidecar I-B LLC and 72,973 shares to Silicon Alley Ventures, LP, an entity affiliated with Silicon Alley Venture Partners, LLC; 50,000 shares to Hambrecht & Quist California, 50,000 shares to Hambrecht & Quist Employee Venture Fund,

L.P. II, and 8,108 shares to Access Technology Partners Brokers Fund, L.P., all three of which are affiliates of Hambrecht & Quist LLC; 432,432 shares to Access Technology Partners, L.P., a fund of outside investors that is managed by an affiliate of Hambrecht & Quist LLC; 67,568 shares to Henry R. Kravis; 8,108 shares to Esther Dyson; and 2,703 shares to Mark Lipschultz.

SERIES D REDEEMABLE CONVERTIBLE PREFERRED STOCK. We sold 3,157,895 shares of series D redeemable convertible preferred stock on January 27, 2000, at a purchase price per share of \$5.70 for gross proceeds of approximately \$18 million. In these transactions, we sold 1,754,386 shares to Dell USA, L.P.; 350,878 shares to entities associated with MSD Capital, L.P.; and 1,052,631 shares to NBC Interactive Media, Inc.

OPTION GRANT

In April 1999, we granted options to purchase up to 10,710 shares of common stock, which vested on July 1, 1999, to Kevin Lavan, a director, for advisory services rendered prior to his appointment to our board of directors.

CHIEF OPERATING OFFICER CONSULTING SERVICES

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

REGISTRATION RIGHTS

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

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our outstanding common stock as of January 28, 2000, as adjusted to reflect the sale of the shares of common stock offered hereby by:

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

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

The following table gives effect to the shares of common stock issuable within 60 days of January 28, 2000 upon the exercise of all options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned.

HOLDERS	NUMBER OF SHARES BENEFICIALLY OWNED BEFORE THE OFFERING	PERCENTAGE OF SHARES BENEFICIALLY OWNED (1)	
		BEFORE THE OFFERING	AFTER THE OFFERING
5% STOCKHOLDERS			
Highland Capital Partners IV..... Limited Partnership and an affiliated entity(2) 2 International Place Boston, Massachusetts 02110	2,162,162	12.9%	
Dell USA, L.P..... c/o Dell Computer Corporation One Dell Way Round Rock, Texas 78682	1,754,386	10.5%	
Entities affiliated with FGII(3)..... 20 Dayton Avenue Greenwich, Connecticut 06830	1,662,795	9.9%	
Dawntreader Fund I LP(4)..... 118 West 22nd Street, 11th Floor New York, New York 10011	1,595,227	9.5%	
Allen & Company Incorporated(5)..... 711 Fifth Avenue New York, New York 10022	1,090,634	6.5%	
NBC Interactive Media, Inc..... 30 Rockefeller Plaza New York, New York 10112	1,052,631	6.3%	

HOLDERS	NUMBER OF SHARES BENEFICIALLY OWNED BEFORE THE OFFERING	PERCENTAGE OF SHARES BENEFICIALLY OWNED (1)	
		BEFORE THE OFFERING	AFTER THE OFFERING
DIRECTORS AND EXECUTIVE OFFICERS			
Robert P. LoCascio.....	4,557,142	27.3%	
Dean Margolis.....	--	*	
Timothy E. Bixby(6).....	33,750	*	
Scott E. Cohen.....	--	*	
James L. Reagan.....	--	*	
Wycliffe K. Grousbeck(2).....	2,162,162	12.9%	
Edward G. Sim(4).....	1,595,227	9.5%	
Richard L. Fields(5).....	1,090,634	6.5%	
Kevin C. Lavan(7).....	10,710	*	
Directors and Executive Officers as a Group (9 persons) (8).....	9,449,625	55.6%	

* Less than one percent.

(1) Percentage of beneficial ownership prior to this offering is based on 16,702,852 shares of common stock outstanding at January 28, 2000. Percentage of beneficial ownership after this offering is based on shares of common stock outstanding, which includes the foregoing plus shares of common stock to be sold in this offering.

(2) Includes 2,075,675 shares of common stock owned by Highland Capital Partners IV Limited Partnership ("Highland Capital Partners IV") and 86,487 shares of common stock owned by Highland Entrepreneurs' Fund IV Limited Partnership ("Highland Entrepreneurs' Fund IV"). Mr. Grousbeck, a member of our board of directors, is a managing member of Highland Management Partners IV, LLC, the general partner of Highland Capital Partners IV and is a managing member of Highland Entrepreneurs' Fund IV LLC, the general partner of Highland Entrepreneurs' Fund IV. Mr. Grousbeck may be deemed to have beneficial ownership of the shares owned by Highland Capital Partners IV and Highland Entrepreneurs' Fund IV and disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest, if any.

(3) Includes 937,500 shares of common stock owned by FG-LP and 608,108 shares of common stock owned by FG-LPC. Also includes 117,187 shares of common stock issuable upon exercise of warrants owned by FG-LP. FGII is the general partner of both limited partnerships.

(4) Includes 117,187 shares of common stock issuable upon exercise of warrants. Mr. Sim, a member of our board of directors, is a Managing Director of DT Advisors LLC, which is the general partner of Dawntreader Fund I LP. Mr. Sim may be deemed to have beneficial ownership of the shares owned by Dawntreader Fund I LP and disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest, if any.

(5) Includes 130,209 shares of common stock issuable upon exercise of warrants. Mr. Fields is a Managing Director of Allen & Company Incorporated ("Allen & Company"). Mr. Fields does not exercise voting or investment power over, and disclaims beneficial ownership of, 746,118 shares and 98,951 shares issuable upon exercise of warrants which are held by Allen & Company, other of its officers and related persons. Allen & Company disclaims beneficial ownership of 335,425 shares and 39,063 shares issuable upon exercise of warrants which are beneficially owned by certain officers of Allen & Company and related persons.

(6) Consists of 33,750 shares of common stock issuable upon exercise of options exercisable within 60 days of January 28, 2000.

(7) Consists of 10,710 shares of common stock issuable upon exercise of options exercisable within 60 days of January 28, 2000.

(8) Includes 247,396 shares of common stock issuable upon exercise of warrants. Also includes 44,460 shares of common stock issuable upon exercise of options exercisable within 60 days of January 28, 2000.

DESCRIPTION OF CAPITAL STOCK

GENERAL

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

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

COMMON STOCK

As of January 28, 2000, there were 4,728,000 shares of our common stock outstanding held of record by five stockholders, without giving effect to the conversion of our convertible preferred stock. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive ratably those dividends, if any, as may be declared by our board of directors out of funds legally available therefor, subject to any preferential dividend rights of any outstanding preferred stock. Upon our liquidation, dissolution or winding up, our common stockholders are entitled to receive ratably our net assets available, if any, after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of our common stock are, and the shares offered in this offering will be, when issued in consideration for payment thereof, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

PREFERRED STOCK

Upon the closing of this offering, there will be no shares of preferred stock outstanding. Our board of directors will be authorized, without further stockholder approval, to issue from time to time up to an aggregate of _____ shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series thereof, including the dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designation of series. For more information, see "--Anti-Takeover Effects of Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws."

OPTIONS

We have _____ shares of our common stock reserved for issuance, upon exercise of stock options, under our 2000 Stock Incentive Plan. As of January 28, 2000, there were outstanding options to purchase a total of 3,160,980 shares of common stock, of which options to purchase approximately _____ will be exercisable upon the closing of this offering. Because we intend to file a registration statement on Form S-8 as soon as practicable following the closing of this offering, any shares issued upon exercise of these options will be immediately available for sale in

the public market, subject to the terms of lock-up agreements entered into with the underwriters. For more information, see "Management--2000 Stock Incentive Plan" and "Shares Eligible for Future Sale."

REGISTRATION RIGHTS

Pursuant to the terms of a registration rights agreement, beginning 180 days after the effective date of the Registration Statement of which this prospectus is a part, the holders of 17,154,018 shares of common stock have the right to demand registration of their shares of common stock under the Securities Act of 1933. We are not required to effect more than two registrations pursuant to these demand registration rights (unless we are eligible to file a registration statement on Form S-3, in which case we may be required to effect up to three registrations). In addition, these holders will be entitled to piggyback registration rights, subject to various limitations. These registration rights are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares of common stock held by stockholders with registration rights to be included in a registration. Generally, we are required to bear all of the expenses of all of these registrations, except underwriting discounts and selling commissions. Registration of any shares of common stock held by security holders with registration rights would result in shares becoming freely tradable without restriction under the Securities Act of 1933 immediately upon effectiveness of such registration.

LIMITATIONS ON LIABILITY

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

- for any breach of such person's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;
- for payment of dividends or approval of stock repurchases or redemptions that are prohibited by Section 174 of the Delaware General Corporation Law; and
- for any transaction resulting in receipt by such person of an improper personal benefit.

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

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

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

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

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares); or
- on or subsequent to such date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of a least 66.67% of the outstanding voting stock that is not owned by the interested stockholder.

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

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

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

BOARD OF DIRECTORS VACANCIES. Our amended and restated certificate of incorporation authorizes our board of directors to fill vacant directorships or increase the size of the board of directors. This may deter a stockholder from removing incumbent directors and simultaneously gaining control of our board of directors by filling the vacancies created by this removal with its own nominees.

STOCKHOLDER ACTION; SPECIAL MEETING OF STOCKHOLDERS. Our amended and restated certificate of incorporation provides that stockholders may not take action by written consent, but only at duly called annual or special meetings of stockholders. Our amended and restated certificate of

incorporation further provides that special meetings of our stockholders may be called only by the chairman of the board of directors, our chief executive officer or a majority of the board of directors.

ADVANCE NOTICE REQUIREMENTS FOR STOCKHOLDER PROPOSALS AND DIRECTORS' NOMINATIONS. Our amended and restated bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide us timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices, not less than 120 days nor more than 150 days prior to the first anniversary of the date of our notice of annual meeting provided with respect to the previous year's annual meeting of stockholders; provided, however, that if no annual meeting of stockholders was held in the previous year or the date of the annual meeting of stockholders has been changed to be more than 30 calendar days earlier than or 60 calendar days after this anniversary, notice by the stockholder, to be timely, must be so received not more than 90 days prior to the annual meeting of stockholders nor later than the later of:

- 60 days prior to the annual meeting of stockholders; and
- the close of business on the 10th day following the date on which notice of the date of the meeting is given to stockholders or made public, whichever occurs first.

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

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

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is .

SHARES ELIGIBLE FOR FUTURE SALE

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

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

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

LOCK-UP AGREEMENTS

We expect that our directors, executive officers, and substantially all of our existing stockholders will sign lock-up agreements under which they will agree not to transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock for 180 days after the date of this prospectus. Transfers can be made sooner with the prior written consent of Hambrecht & Quist LLC, in the case of certain transfers to affiliates, or can be made sooner under certain other circumstances.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after the offering, and (ii) the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks

preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner-of-sale provisions, notice requirements and the availability of current public information about us.

RULE 144(K)

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

RULE 701

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

REGISTRATION RIGHTS

After this offering, the holders of 17,154,018 shares of our common stock will be entitled to certain rights with respect to the registration of those shares under the Securities Act of 1933. For more information, see "Description of Capital Stock--Registration Rights." After such registration, these shares of our common stock become freely tradable without restriction under the Securities Act. These sales could have a material adverse effect on the trading price of our common stock.

STOCK PLANS

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

As of January 28, 2000, options to purchase 3,223,980 shares of common stock were issued and outstanding, of which are exercisable within 60 days of January 28, 2000. Upon exercise, the shares underlying these options will be eligible for sale in the public market from time to time, subject to vesting provisions, Rule 144 volume limitations applicable to our affiliates and, in the case of some options, the expiration of lock-up agreements.

UNDERWRITING

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

NAME - - - - -	NUMBER OF SHARES - - - - -
Hambrecht & Quist LLC.....	
Thomas Weisel Partners LLC.....	
PaineWebber Incorporated.....	
Total.....	----- =====

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

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters. Such amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

UNDERWRITING DISCOUNTS AND COMMISSIONS

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

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

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

We have granted to the underwriters an option, exercisable no later than 30 days after the date of this prospectus, to purchase up to additional shares of common stock at the initial public offering price, less the underwriting discount set forth on the cover page of this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will have a firm commitment to purchase approximately the same percentage thereof which the number of shares of common stock to be purchased by it shown in the above table bears to the total number of shares of common stock offered hereby. We will be obligated, pursuant to the

option, to sell shares to the underwriters to the extent the option is exercised. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of shares of common stock offered by us.

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

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

We expect that we and our directors, executive officers and substantially all of our existing stockholders will agree that, without the prior written consent of Hambrecht & Quist LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

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

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

The restrictions described in this paragraph do not apply to:

- the sale of shares to the underwriters;
- the issuance of shares of our common stock upon the exercise of an option or a warrant, or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- the grant of additional options under our 2000 Plan and our ESPP;
- transfers to certain persons or entities of shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock, provided that the transferees agree in writing to be bound by the foregoing restrictions; and
- transactions by any person other than us relating to shares of our common stock or other securities acquired in open market transactions after the completion of the offering of the shares.

Without the prior written consent of Hambrecht & Quist LLC, any options granted outside of our 2000 Plan shall not be exercisable during this 180-day period. In addition, if Hambrecht & Quist LLC agrees to release any of our stockholders (except any employee or consultant that is not one of our officers, directors or executives) from the foregoing restrictions prior to the expiration of the 180-day period referred to above, with respect to all or a percentage of the shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock subject to the foregoing restrictions, then all of our other stockholders subject to the foregoing restrictions shall be released from such restrictions to the same extent and on the same terms and conditions.

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

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

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

Persons associated with Hambrecht & Quist LLC beneficially own 108,108 shares of our series C redeemable convertible preferred stock. Additionally, Access Technology Partners, L.P., a fund of outside investors that is managed by an affiliate of Hambrecht & Quist LLC, owns 432,432 shares of series C redeemable convertible preferred stock. All shares of convertible preferred stock issued by us, including the series C redeemable convertible preferred stock, will automatically convert into shares of common stock upon completion of this offering, on a one-for-one basis.

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners has been named as a lead or co-manager of 110 filed public offerings of equity securities, of which 79 have been completed, and has acted as a syndicate member in an additional 54 public offerings of equity securities. Thomas Weisel Partners does not have any material relationship with us or any of our officers, directors or controlling persons, except with respect to its contractual relationship with us under the underwriting agreement entered into in connection with this offering.

LEGAL MATTERS

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

EXPERTS

The financial statements of LivePerson, Inc. as of December 31, 1997 and 1998 and for each of the years in the three-year period ended December 31, 1998 have been included in this prospectus and elsewhere in the registration statement in reliance upon the report of KPMG LLP, independent accountants, appearing elsewhere herein and upon the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

LIVEPERSON, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
LivePerson, Inc.:

We have audited the accompanying balance sheets of LivePerson, Inc. as of December 31, 1997 and 1998, and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LivePerson, Inc. as of December 31, 1997 and 1998, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with generally accepted accounting principles.

New York, New York
January 27, 2000

LIVEPERSON, INC.

BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	DECEMBER 31,		SEPTEMBER 30,	PRO FORMA (SEE NOTE 1(B)) SEPTEMBER 30,
	1997	1998	1999	1999
			(UNAUDITED)	(UNAUDITED)
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 10	\$107	\$19,378	\$37,278
Accounts receivable, less allowance for doubtful accounts of \$0, \$15, and \$38, as of December 31, 1997 and 1998 and September 30, 1999 and \$38 pro forma.....	17	10	206	206
Prepaid expenses and other current assets.....	--	--	731	731
Due from officer.....	3	25	25	25
	----	----	-----	-----
Total current assets.....	30	142	20,340	38,240
Property and equipment, net.....	--	--	573	573
Security deposits.....	--	--	477	477
Deferred costs, net.....	--	--	37	37
	----	----	-----	-----
Total assets.....	\$ 30	\$142	\$21,427	\$39,327
	====	====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable.....	\$ 40	\$ 17	\$ 791	\$ 791
Accrued expenses.....	25	55	177	177
Note payable.....	--	100	--	--
Deferred revenue.....	--	--	63	63
	----	----	-----	-----
Total current liabilities.....	65	172	1,031	1,031
	----	----	-----	-----
Series C redeemable convertible preferred stock, \$.001 par value; 5,132,433 shares authorized, issued and outstanding actual; no shares issued and outstanding pro forma, with an aggregate liquidation preference of \$18,990.....	--	--	18,990	--
Series D redeemable convertible preferred stock, \$.001 par value; 3,157,895 shares authorized, no shares issued and outstanding actual and no shares issued and outstanding pro forma.....	--	--	--	--
Stockholders' equity (deficit):				
Series A convertible preferred stock, \$.001 par value; 2,541,667 shares authorized, issued and outstanding actual; no shares issued and outstanding pro forma, with an aggregate liquidation preference of \$3,000....	--	--	3	--
Series B convertible preferred stock \$.001 par value; 1,142,857 shares authorized, issued and outstanding actual; no shares issued and outstanding pro forma, with an aggregate liquidation preference of \$1,600....	--	--	1	--
Common stock, \$.001 par value; 30,000,000 shares authorized; 4,728,000 shares issued and outstanding actual; shares authorized pro forma; 16,702,852 shares issued and outstanding pro forma....	5	5	5	17
Additional paid-in capital.....	(4)	21	4,767	41,649
Deferred compensation.....	--	--	(8)	(8)
Accumulated deficit.....	(36)	(56)	(3,362)	(3,362)
	----	----	-----	-----
Total stockholders' equity (deficit).....	(35)	(30)	1,406	38,296
	----	----	-----	-----
Commitments and contingencies				
Total liabilities and stockholders' equity.....	\$ 30	\$142	\$21,427	\$39,327
	====	====	=====	=====

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

LIVEPERSON, INC.

STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	(UNAUDITED)
Revenue:					
Service revenue.....	\$ --	\$ --	\$ 1	\$ --	\$ 186
Programming revenue.....	11	245	378	315	36
Total revenue.....	11	245	379	315	222
Operating expenses:					
Cost of revenue.....	6	121	70	56	248
Product development.....	--	--	93	59	778
Sales and marketing.....	--	--	33	22	1,880
General and administrative.....	36	130	203	178	878
Total operating expenses.....	42	251	399	315	3,784
Loss from operations.....	(31)	(6)	(20)	--	(3,562)
Other income (expense):					
Interest income.....	1	--	--	--	257
Interest expense.....	--	--	--	--	(1)
Total other income (expense), net.....	\$ 1	--	--	--	256
Net loss.....	\$ (30)	\$ (6)	\$ (20)	\$ --	\$ (3,306)
Basic and diluted net loss per share.....	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.70)
Weighted average shares outstanding used in basic and diluted net loss per share calculation.....	4,728,000	4,728,000	4,728,000	4,728,000	4,728,000
Pro forma basic and diluted net loss per share.....					\$ (0.36)
Weighted average shares outstanding used in pro forma basic and diluted net loss per share calculation.....					9,172,051

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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

	SERIES A PREFERRED STOCK		SERIES B PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	
Balance at December 31, 1995.....	--	\$ --	--	\$ --	--	\$ --	\$ --
Issuance of common stock to founder.....	--	--	--	--	4,728,000	5	(4)
Net loss.....	--	--	--	--	--	--	--
Balance at December 31, 1996.....	--	--	--	--	4,728,000	5	(4)
Net loss.....	--	--	--	--	--	--	--
Balance at December 31, 1997.....	--	--	--	--	4,728,000	5	(4)
Issuance of stock options in lieu of payment for services.....	--	--	--	--	--	--	25
Net loss.....	--	--	--	--	--	--	--
Balance at December 31, 1998.....	--	--	--	--	4,728,000	5	21
Issuance of stock options in lieu of payment for services.....	--	--	--	--	--	--	79
Amortization of deferred compensation...	--	--	--	--	--	--	--
Issuance of stock options to a client...	--	--	--	--	--	--	43
Issuance of Class A preferred stock and warrants.....	2,416,667	3	--	--	--	--	2,899
Issuance of Class A preferred stock in lieu of payment for services.....	41,667	--	--	--	--	--	50
Conversion of note payable into shares of Class A preferred stock.....	83,333	--	--	--	--	--	100
Issuance of Class B preferred stock and warrants, net of \$15 issuance costs...	--	--	1,142,857	1	--	--	1,585
Offering costs in connection with Series C redeemable preferred stock.....	--	--	--	--	--	--	(10)
Net loss.....	--	--	--	--	--	--	--
Balance at September 30, 1999 (unaudited).....	2,541,667	\$ 3	1,142,857	\$ 1	4,728,000	\$ 5	\$4,767

	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
Balance at December 31, 1995.....	\$ --	\$ --	\$ --
Issuance of common stock to founder.....	--	--	1
Net loss.....	--	(30)	(30)
Balance at December 31, 1996.....	--	(30)	(29)
Net loss.....	--	(6)	(6)
Balance at December 31, 1997.....	--	(36)	(35)
Issuance of stock options in lieu of payment for services.....	--	--	25
Net loss.....	--	(20)	(20)
Balance at December 31, 1998.....	--	(56)	(30)
Issuance of stock options in lieu of payment for services.....	(53)	--	26
Amortization of deferred compensation...	45	--	45
Issuance of stock options to a client...	--	--	43
Issuance of Class A preferred stock and warrants.....	--	--	2,902
Issuance of Class A preferred stock in lieu of payment for services.....	--	--	50
Conversion of note payable into shares of Class A preferred stock.....	--	--	100
Issuance of Class B preferred stock and warrants, net of \$15 issuance costs...	--	--	1,586
Offering costs in connection with Series C redeemable preferred stock.....	--	--	(10)
Net loss.....	--	(3,306)	(3,306)
Balance at September 30, 1999 (unaudited).....	\$ (8)	\$(3,362)	\$ 1,406

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LIVEPERSON, INC.

STATEMENTS OF CASH FLOWS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1998	1998 (UNAUDITED)	1999 (UNAUDITED)
Cash flows from operating activities:					
Net loss.....	\$ (30)	\$ (6)	\$ (20)	\$ --	\$ (3,306)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:					
Non-cash compensation.....	--	--	25	--	127
Depreciation.....	--	--	--	--	20
Provision for doubtful accounts.....	--	--	15	--	38
Changes in operating assets and liabilities:					
Accounts receivable.....	--	(17)	(8)	(61)	(234)
Prepaid expenses and other current assets.....	--	--	--	(21)	(731)
Security deposits.....	--	--	--	--	(477)
Accounts payable.....	--	40	(23)	42	774
Accrued expenses.....	--	25	30	30	122
Deferred revenue.....	--	--	--	--	63
Net cash (used in) provided by operating activities.....	(30)	42	19	(10)	(3,604)
Cash flows from investing activities:					
Purchases of property and equipment.....	--	--	--	--	(593)
Net cash used in investing activities.....	--	--	--	--	(593)
Cash flows from financing activities:					
Net proceeds from issuance of common stock to founders.....	1	--	--	--	--
Net proceeds from issuance of Class A, B and C preferred stock and warrants.....	--	--	--	--	23,468
Proceeds from issuance of note payable.....	--	--	100	--	--
Due to (from) officer.....	31	(34)	(22)	--	--
Net cash provided by (used in) financing activities.....	32	(34)	78	--	23,468
Net increase (decrease) in cash and cash equivalents.....	2	8	97	(10)	19,271
Cash and cash equivalents at the beginning of the period.....	--	2	10	10	107
Cash and cash equivalents at the end of the period.....	\$ 2	\$ 10	\$ 107	\$ --	\$ 19,378

Supplemental disclosure of non-cash information:

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

Non-cash financing activities:

During the nine months ended September 30, 1999, the Company issued 83,333 shares of its Series A preferred stock at \$1.20 per share in settlement of a \$100 note payable. This transaction resulted in a non-cash financing activity of \$100.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(A) SUMMARY OF OPERATIONS

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

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

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

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

If the IPO is consummated under the terms presently anticipated, upon the closing of the proposed IPO, each of the then outstanding shares of the Company's convertible preferred stock will automatically convert, on a one-for-one basis, into 11,974,852 shares of common stock.

The accompanying pro forma balance sheet as of September 30, 1999 gives effect to:

- the issuance of 3,157,895 shares of Series D redeemable convertible preferred stock at \$5.70 per share during January 2000 for net proceeds of approximately \$17.9 million; and
- the automatic conversion of 2,541,667, 1,142,857, 5,132,433, and 3,157,895 shares of Series A, B, C and D convertible preferred stock, respectively, representing all outstanding shares of convertible preferred stock, into 11,974,852 shares of common stock upon the closing of this offering.

(C) UNAUDITED INTERIM FINANCIAL INFORMATION

The interim financial statements of the Company as of September 30, 1999, and for the nine months ended September 30, 1998 and 1999, are unaudited. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the SEC relating to interim financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's financial position and the results of its operations and its cash flows have been included in such unaudited financial statements. The results of operations for the nine months ended September 30, 1998 and 1999 are not necessarily indicative of the results to be expected for the entire year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

(D) USE OF ESTIMATES

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

(E) CASH AND CASH EQUIVALENTS

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

(F) PROPERTY AND EQUIPMENT

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

(G) IMPAIRMENT OF LONG-LIVED ASSETS

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

(H) INCOME TAXES

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in results of operations in the period that the tax change occurs. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

(I) REVENUE RECOGNITION

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

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

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

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

(J) PRODUCT DEVELOPMENT COSTS

The Company accounts for product development costs in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," under which certain software development costs incurred subsequent to the establishment of technological feasibility are capitalized and amortized over the estimated lives of the related products. Technological feasibility is established upon completion of a working model. To date, completion of a working model of the Company's products and general release have substantially coincided. As a result, the Company has not capitalized any software development costs since such costs have not been significant. Through September 30, 1999, all development costs have been charged to product development expense in the accompanying statements of operations.

(K) ADVERTISING COSTS

The Company expenses the cost of advertising and promoting its services as incurred. Such costs totaled approximately \$0, \$0 and \$1, for the years ending December 31, 1996, 1997, and 1998, respectively, and \$1 and \$925 for the nine month periods ended September 30, 1998 and 1999, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

(L) FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents, accounts receivable, accounts payable and note payable. At December 31, 1997 and 1998, the fair value of these instruments approximated their financial statement carrying amount because of the short-term maturity of these instruments. The Company has not experienced any significant credit loss to date. No single customer accounted for or exceeded 10% of either revenue or accounts receivable for any period presented.

(M) STOCK-BASED COMPENSATION

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

(N) BASIC AND DILUTED NET LOSS PER SHARE

The Company calculates earnings per share in accordance with the provisions of SFAS No. 128, "Earnings Per Share", and the Securities and Exchange Commission Staff Accounting Bulletin No. 98. SEAS No. 128 replaced the presentation of primary and fully diluted earnings (loss) per share (EPS), with a presentation of basic EPS and diluted EPS. Under SFAS No. 128, basic EPS excludes dilution for common stock equivalents and is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and resulted in the issuance of common stock. Diluted net loss per share is equal to basic loss per share since all common stock equivalents are anti-dilutive for each of the periods presented.

Diluted net loss per common share for the year ended December 31, 1998, and for the nine months ended September 30, 1998 and 1999, does not include the effects of options to purchase 131,400, 29,300 and 1,926,730 shares of common stock, respectively, 0, 0 and 479,166 common stock warrants, respectively, and 0, 0 and 8,816,957 shares of Series A, Series B and Series C convertible preferred stock on an "as if" converted basis, respectively, as the effect of their inclusion is anti-dilutive during each period. There were no dilutive securities outstanding in 1996 or 1997.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

The pro forma net loss per share for the nine months ended September 30, 1999, is computed by dividing the net loss by the sum of the weighted average number of shares of common stock outstanding and the shares resulting from the automatic conversion of all of our outstanding convertible preferred stock, totalling 8,816,957, as if such conversion occurred at the date of original issuance during 1999. For purposes of determining the number of pro forma weighted average shares outstanding, the shares of Series A, Series B and Series C convertible preferred stock were calculated from their original date of issuance.

(O) STOCK SPLIT

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

(P) COMPREHENSIVE LOSS

The Company adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" in 1998. SFAS No. 130 requires the Company to report in its financial statements, in addition to its net income (loss), comprehensive income (loss), which includes all changes in equity during a period from non-owner sources including, as applicable, foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. There were no differences between the Company's comprehensive loss and its net loss for all periods presented.

(Q) SEGMENT REPORTING

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

The Company's revenues have been earned primarily from customers in the United States. In addition, all significant operations and assets are based in the United States. No customer accounted for or exceeded more than 10% of revenues for the year ended December 31, 1998 and the nine month period ended September 30, 1999.

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

(R) RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

(2) BALANCE SHEET COMPONENTS

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

	SEPTEMBER 30, 1999 ----- (UNAUDITED)
Computer equipment and software.....	\$405
Furniture and equipment.....	188

	593
Less accumulated depreciation.....	20

Total.....	\$573 =====

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(2) BALANCE SHEET COMPONENTS (CONTINUED)

Accrued expenses consists of the following:

	DECEMBER 31,		SEPTEMBER 30,
	1997	1998	1999
			(UNAUDITED)
Professional services and consulting fees.....	\$25	\$55	\$118
Sales commissions.....	--	--	24
Travel and entertainment.....	--	--	20
Other.....	--	--	15
	---	---	---
Total.....	\$25	\$55	\$177
	===	===	====

Prepaid expenses and other current assets at September 30, 1999 principally included prepayments for various advertising and promotional activities.

(3) NOTE PAYABLE

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

(4) CAPITALIZATION

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

In January 1999, the Company completed a private placement of 2,500,000 shares of Series A Convertible Preferred Stock ("Series A") with 312,500 common stock warrants at a combined offering price of \$1.205 per share (\$1.20 per Series A share and \$0.005 per warrant). Total proceeds amounted to \$2,902. The warrants are exercisable at a price of \$2.40 per common share and have a term of 5 years. None of these options have been exercised. As part of the Series A private placement, a \$100 note payable was converted into 83,333 shares of Series A preferred stock.

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

In May 1999, the Company completed a private placement of 1,142,857 shares of Series B Convertible Preferred Stock ("Series B") with 166,667 common stock warrants at a combined offering price of \$1.405 per share (\$1.40 per Series B share and \$0.005 per warrant). The

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(4) CAPITALIZATION (CONTINUED)

warrants are exercisable at a price of \$2.40 per common share and have a term of 5 years. None of these options have been exercised. Total proceeds, net of offering costs of \$15, amounted to \$1,586.

The managing underwriter of the Company's IPO can request the Company to accelerate the expiration of the Series A and Series B warrants to the day immediately preceding the date on which the Company's registration statement is declared effective by the SEC.

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

In January 2000, LivePerson issued an aggregate of 3,157,895 shares of Series D Redeemable Convertible preferred stock ("Series D") at \$5.70 per share. Total proceeds, net of offering costs of \$100, amounted to \$17.9 million.

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

If the IPO is consummated, upon the closing, 2,541,667, 1,142,857, 5,132,433 and 3,157,895 shares of Series A, Series B, Series C and Series D convertible preferred stock, respectively, representing all of the outstanding shares of the convertible preferred stock, shall automatically convert on a one-for-one basis into 11,974,852 shares of common stock.

(5) STOCK OPTIONS

During 1998, the Company established the Stock Option and Restricted Stock Purchase Plan (the "1998 Stock Option Plan"). Under the Plan, the Board of Directors may issue incentive stock options or nonqualified stock options to purchase up to 2,800,000 common shares as of September 30, 1999.

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

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

	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Options outstanding at December 31, 1997.....	--	--
Options granted.....	131,400	\$1.00
Options cancelled.....	--	--
Options outstanding at December 31, 1998.....	131,400	\$1.00
Options granted.....	1,820,330	\$1.78
Options cancelled.....	(25,000)	\$1.00

Options outstanding at September 30, 1999 (unaudited).....	1,926,730	\$1.74
	=====	
Options exercisable at December 31, 1998.....	--	--
Options exercisable at September 30, 1999 (unaudited).....	152,607	--

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

The Company applies APB No. 25 and related interpretations in accounting for its stock options issued to employees. Under APB No. 25, because the exercise price of the Company's employee stock options equals the fair value of the underlying common stock on the date of grant, no compensation cost has been recognized for its stock option grants to employees and directors. Had compensation cost for the Company's stock option grants been determined based on the fair value at the grant date for awards consistent with the method of SFAS No. 123, the Company's net loss for each year is presented below. The Company did not have any employee stock options outstanding in 1996 or 1997.

	YEAR ENDED DECEMBER 31, 1998 -----
Net loss:	
As reported.....	\$ (20) =====
Pro forma.....	\$ (28) =====
Basic and diluted net loss per share:	
As reported.....	\$ 0.00 =====
Pro forma.....	\$(0.01) =====

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

The per share weighted average fair value of stock options granted during 1998 and for the nine months ended September 30, 1999, was \$0.39 and \$0.69, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1998: dividend yield of zero percent, risk-free interest rate of 5.4% and expected life of 10 years. As permitted under the provisions of SFAS No. 123 and based on the historical lack of a public market for the Company's stock, no factor for volatility has been reflected in the option pricing calculation. No employee stock options were granted in 1996 or 1997.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

During December 1998, the Company granted options to purchase 62,500 shares of common stock at an exercise price of \$1.00 per share, the then fair market value of the Company's common stock, to a consultant for services performed. These options are exercisable for a period of 5 years. The Company recorded an expense of \$25 in connection with the issuance of the fully vested options using a Black-Scholes pricing model.

During April 1999, the Company granted options to purchase an aggregate of 42,840 shares of common stock at an exercise price of \$1.00 per share, at the then fair market value of the Company's common stock, to four consultants for services performed. These options are exercisable for a period of 10 years. The Company recorded an expense of \$26 in connection with the issuance of the fully vested options using a Black-Scholes pricing model.

During May 1999, the Company issued options to purchase 63,000 shares of common stock at an exercise price of \$2.40 per share to a client. These options will vest in or before May 2001 if the client meets certain defined revenue targets and are exercisable for a period of 3 years from the date of grant. The Company accounts for these options in accordance with Emerging Issues Task Force Abstract No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." Pursuant to EITF-96-18, the Company valued the option using a Black-Scholes pricing model. The \$43 ascribed to the option reflects the market value at September 30, 1999 and has been recorded as deferred cost. This cost is being ratably amortized over the two-year vesting period, as the Company believes that the achievement of the revenue targets is probable. The value ascribed to these options will be adjusted at each balance sheet date to bring the total charge up to the then current market value. The Company has amortized \$6 of the deferred costs as of September 30, 1999.

During June 1999, the Company granted options to purchase 100,000 shares of common stock to an advisor at an exercise price of \$1.00 per share, the then fair market value of the Company's common stock. These options are exercisable for a period of 10 years. The Company has recorded deferred compensation of \$53 using the Black-Scholes pricing model. 60,000 shares were immediately vested upon the grant with the remaining options vesting 8,000 per month commencing on July 31, 1999. The Company has recorded \$45 of expense for the nine months ended September 30, 1999. The Company will recognize an additional \$8 of expense over the remaining vesting period of two months.

During the fourth quarter of 1999 and for the period January 1, 2000 through January 28, 2000, the Company granted stock options to purchase 381,500 and 815,750 shares of common stock, respectively, to employees, at a weighted average exercise price of \$3.00 and \$4.01 per share, respectively.

In December 1999, the Company recorded compensation expense in connection with the options granted to an advisor to purchase 100,000 shares of common stock at an exercise price of \$3.00 per share.

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

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

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING
\$1.00	131,400	7.43	\$1.00	--	--

The following table summarizes information about stock options outstanding and exercisable at September 30, 1999:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
\$1.00	845,340	9.21	\$1.00	152,607	\$1.00
\$1.20	392,640	4.49	\$1.20	--	--
\$2.40	63,000	2.63	\$2.40	--	--
\$3.00	625,750	9.97	\$3.00	--	--
	1,926,730			152,607	\$1.00
	=====			=====	=====

(6) COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases facilities and certain equipment under agreements accounted for as operating leases. These leases generally require the Company to pay all executory costs such as maintenance and insurance. Rental expense for operating leases for the years ending December 31, 1996, 1997, and 1998 and for the nine months ended September 30, 1998 and 1999 were approximately \$14, \$14, \$26, \$27 and \$119, respectively.

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(6) COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

YEAR ENDING DECEMBER 31, -----	OPERATING LEASES -----
1999.....	\$ 161
2000.....	648
2001.....	665
2002.....	683
2003.....	702
Thereafter.....	2,676

Total minimum lease payments.....	\$5,535 =====

EMPLOYMENT AGREEMENTS

The Company has employment agreements with 4 senior employees which provide for severance benefits among other items. In the event these agreements are terminated, the Company may be liable for severance payments up to \$615 of salary payable during the year following termination.

(7) INCOME TAXES

There is no provision for federal, state or local income taxes for all periods presented, since the Company has incurred losses since inception. At December 31, 1998, the Company did not have any significant net operating loss carryforwards available to offset future taxable income. The Company has recorded a full valuation allowance against its deferred tax assets since management believes that, after considering all the available objective evidence, it is not more likely than not that these assets will be realized.

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(7) INCOME TAXES (CONTINUED)

The effects of temporary differences and tax loss carryforwards that give rise to significant portions of federal deferred tax assets and deferred tax liabilities at December 31, 1997 and 1998 are presented below.

	1997	1998
	-----	-----
Deferred tax assets:		
Accounts receivable principally due to allowance for doubtful accounts.....	\$ 26	\$ 29
Non-cash compensation.....	--	51
Other.....	--	19
	----	----
Gross deferred tax assets.....	26	99
Less: valuation allowance.....	(13)	(67)
	----	----
Net deferred tax assets.....	13	32
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation.....	--	(32)
Other.....	(13)	--
	----	----
Gross deferred tax liabilities.....	(13)	(32)
	----	----
	\$ --	\$ --
	====	====

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1997 AND 1998

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1998 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(8) VALUATION AND QUALIFYING ACCOUNTS

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS/ WRITE-OFFS	BALANCE AT END OF PERIOD
	-----	-----	-----	-----
For the year ended December 31, 1996:				
Allowance for doubtful accounts.....	\$ --	\$ --	\$ --	\$ --
	====	====	====	====
For the year ended December 31, 1997:				
Allowance for doubtful accounts.....	\$ --	\$ --	\$ --	\$ --
	====	====	====	====
For the year ended December 31, 1998:				
Allowance for doubtful accounts.....	\$ --	\$ 15	\$ --	\$ 15
	====	====	====	====
For the nine months ended September 30, 1999:				
Allowance for doubtful accounts (unaudited)...	\$ 15	\$ 38	\$ 15	\$ 38
	====	====	====	====

(9) SUBSEQUENT EVENTS--UNAUDITED

The Company intends to increase the number of authorized shares of its common stock. Upon the closing of this offering, the Company also intends to authorize _____ shares of preferred stock.

Subsequent to September 30, 1999, the Company increased the maximum number of options authorized under its 1998 Stock Option Plan.

[INSIDE BACK COVER]

[COLOR ARTWORK TO BE DESCRIBED IN AMENDMENT]

SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

CHASE H&Q
THOMAS WEISEL PARTNERS LLC
PAINWEBBER INCORPORATED

, 2000

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

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

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

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

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

	AMOUNT TO BE PAID

SEC registration fee.....	\$15,180
NASD filing fee.....	6,250
Nasdaq National Market listing fee.....	*
Legal fees and expenses.....	*
Accounting fees and expenses.....	*
Printing and engraving expenses.....	*
Blue Sky fees and expenses.....	*
Transfer agent and registrar fees and expenses.....	*
Miscellaneous.....	*
Total.....	*

	\$ *
	=====

* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise. The Certificate eliminates the personal liability of directors to the fullest extent permitted by Section 102(b)(7) of the DGCL and provides that the registrant shall, to the fullest extent permitted by the DGCL, fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was, or has agreed to become, a director or officer of the registrant, or is or was serving at the request of the registrant as a director, officer or trustee of or, in a similar capacity with, another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of such person in connection with such action, suit or proceeding and any appeal therefrom.

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

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

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

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

COMMON STOCK. In January 1999, in order to effect a 10-for-1 stock split, the registrant issued an aggregate of 4,255,200 shares of common stock, par value \$0.001 per share ("Common Stock") to Robert P. LoCascio and Robert Olender, then the holders of Common Stock. All such issuances were made under the exemption from registration provided by Section 4(2) of the Act.

CONVERTIBLE PREFERRED STOCK. The registrant issued an aggregate of 11,974,852 shares of convertible preferred stock, par value \$0.001 per share, consisting of (i) 2,500,000 shares of series A convertible preferred stock in January 1999 at a purchase price per share of \$1.20 for gross proceeds of \$3,000,000 to Dawntreader Fund I LP, FG-LP, Sterling Payot Capital, LP, and SAVP Sidecar One LLC; (ii) 41,667 shares of series A convertible preferred stock in January 1999 in exchange for consulting services provided to the Registrant by Silicon Alley Venture Partners, LLC in the amount of \$50,000; (iii) 1,142,857 shares of series B convertible preferred stock in May 1999 at a purchase price per share of \$1.40 for gross proceeds of \$1,600,000 to Allen & Company Incorporated, Alan Braverman, and Sculley Brothers LLC; (iv) 5,132,433 shares of series C redeemable convertible preferred stock in July 1999 at a purchase price per share of \$3.70 for gross proceeds of \$18,990,000 to Highland Capital Partners IV Limited Partnership, Highland Entrepreneurs' Fund IV Limited Partnership, FG-LPC, Dawntreader Fund I LP, Allen & Company Incorporated, The Goldman Sachs Group, Inc., Stone Street Fund 1999, L.P., Sterling Payot Capital, LP, SAVP Sidecar I-B LLC, Silicon Alley Ventures, L.P., Hambrecht & Quist California, Hambrecht & Quist Employee Venture Fund, L.P. II, Access Technology Partners Brokers Fund, L.P., Access Technology Partners, L.P., Henry R. Kravis, Esther Dyson, and Mark Lipschultz; and (v) 3,157,895 shares of series D redeemable convertible preferred stock in January 2000 at a purchase price per share of \$5.70 for gross proceeds of \$18,000,000 to Dell USA, L.P., Austin I, LLC, Van Eyck Partners, LLC, Striped Marlin Investments, LLC, MSD EC I, LLC, and NBC Interactive Media, Inc. A portion of the series A convertible preferred stock issued

to FG-LP was issued in satisfaction of a promissory note made by the registrant in the amount of \$100,000, plus interest. All such issuances were made under the exemption from registration provided under Section 4(2) of the Act.

WARRANTS. Since its inception, the registrant issued warrants exercisable for an aggregate of 479,166 shares of Common Stock consisting of (i) warrants issued in January 1999 exercisable for 312,499 shares of Common Stock, at a purchase price per warrant of \$0.005, for gross proceeds of \$1,562.50, to Dawntreader Fund I LP, FG-LP, Sterling Payot Capital, LP, and SAVP Sidecar One LLC, which are presently exercisable at an exercise price per share of \$2.40 and which expire in January 2004; and (ii) warrants issued in May 1999 exercisable for 166,667 shares of Common Stock, at a purchase price per warrant of \$0.005, for gross proceeds of \$833, to Allen & Company Incorporated, Alan Braverman, and Sculley Brothers LLC, which are presently exercisable at an exercise price per share of \$2.40 and which expire in May 2004. The expiration date of the warrants listed in (i) and (ii) may be accelerated in certain circumstances, if the managing underwriter of the registrant's initial public offering determines that the failure to accelerate the expiration or exercise of the warrants could adversely affect the offering; however, the registrant has been informed by Hambrecht & Quist LLC that they do not intend to do so. All such issuances were made under the exemption from registration provided under Section 4(2) of the Act.

Of the options granted by the registrant pursuant to the registrant's 2000 Stock Incentive Plan and 2000 Employee Stock Purchase Plan, successors to the registrant's 1998 Plan, options to purchase 54,000 shares of Common Stock were cancelled in 1999 and options to purchase a total of 3,160,980 shares of Common Stock at a weighted average exercise price of \$2.51 per share remain outstanding. For a more detailed description of the registrant's option plans, see "Management--2000 Stock Incentive Plan" and "Management--2000 Employee Stock Purchase Plan." All such grants were made under the exemptions from registration provided under Rule 701 and Section 4(2) of the Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

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

* To be filed by amendment.

ITEM 17. UNDERTAKINGS

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

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

The undersigned registrant hereby undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in The City of New York, State of New York, on this 28th day of January, 2000.

LIVEPERSON, INC.

BY: /S/ ROBERT P. LOCASCIO

Robert P. LoCascio
PRESIDENT AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

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

INDEX TO EXHIBITS

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

* To be filed by amendment.

THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

OF

LIVE PERSON, INC.

Pursuant to Sections 242 and 245
of the General Corporation Law of
the State of Delaware

Live Person, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "General Corporation Law"), hereby certifies as follows:

1. The name of the corporation is Live Person, Inc. The corporation was originally incorporated under the name "Sybarite Interactive Inc." on November 29, 1995.

2. On January 25, 2000, at a meeting of the Board of Directors of the Corporation, in accordance with Sections 242 and 245 of the General Corporation Law, the Board of Directors duly adopted and declared advisable this Third Amended and Restated Certificate of Incorporation, which restates, integrates and further amends the Second Amended and Restated Certificate of Incorporation of the Corporation. The stockholders of the Corporation duly approved said proposed Third Amended and Restated Certificate of Incorporation by written consent in accordance with Sections 228 and 242 of the General Corporation Law, and written notice of such consent has been given to all stockholders who have not consented in writing to said Amended and Restated Certificate of Incorporation. This Third Amended and Restated Certificate of Incorporation was approved by the holders of a majority of the outstanding capital stock of the Corporation and by the holders of at least 60% of the outstanding Series A Convertible Preferred Stock, \$.001 par value per share, of the Corporation, at least 60% of the outstanding Series B Convertible Preferred Stock, \$.001 par value per share, of the Corporation and at least 60% of the outstanding Series C Convertible Preferred Stock, \$.001 par value per share, of the Corporation. The resolution setting forth this Third Amended and Restated Certificate of Incorporation is as follows:

RESOLVED: That the Second Amended and Restated Certificate of Incorporation of the Corporation, as amended, be and hereby is amended and restated in its entirety so that the same shall read as follows:

FIRST. The name of the Corporation is Live Person, Inc.

SECOND. The address of the Corporation's registered office in the State of Delaware is 1013 Centre Road, City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is: Corporation Service Company.

THIRD. The nature of the business and purposes to be conducted or promoted by the Corporation are to engage in, carry on and conduct any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The aggregate number of shares of capital stock which the Corporation shall have authority to issue is 47,274,852 shares, which shall be comprised of 35,000,000 shares of Common Stock, par value \$.001 per share (the "Common Stock"), and 12,274,852 shares of Preferred Stock, par value \$.001 per share (the "Preferred Stock"), of which (i) 2,541,667 shares are designated as Series A Convertible Preferred Stock (the "Series A Preferred Stock"), (ii) 1,142,857 shares are designated as Series B Convertible Preferred Stock (the "Series B Preferred Stock"), (iii) 5,132,433 shares are designated as Series C Convertible Preferred Stock (the "Series C Preferred Stock"), (iii) 3,157,895 shares are designated as Series D Convertible Preferred Stock (the "Series D Preferred Stock" and together with the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock, the "Series Preferred Stock"), and (iv) 300,000 shares shall be undesignated.

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. GENERAL.

The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. VOTING.

The holders of the Common Stock are entitled to one vote for each share held at all meetings of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting.

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

3. DIVIDENDS.

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

4. LIQUIDATION.

Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

B. UNDESIGNATED PREFERRED STOCK

Undesignated Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Undesignated Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law or by the terms of any series of Preferred Stock. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Undesignated Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issue of the shares thereof, to determine and fix such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, special voting rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of Delaware. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law. Except as otherwise specifically provided in this Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the issuance of any shares of any series of the Undesignated Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation.

C. SERIES PREFERRED STOCK

The rights, preferences, powers, privileges and restrictions, qualifications and limitations granted to or imposed upon the shares of Series Preferred Stock shall be as set forth in this Part C.

1. DIVIDENDS.

The Corporation shall not declare or pay any cash dividends on shares of Common Stock until the holders of the Series Preferred Stock then outstanding shall have first received, or simultaneously receive, a cash dividend on each outstanding share of Series Preferred Stock in an

amount at least equal to the product of (i) the per share amount, if any, of the dividends or other distributions to be declared, paid or set aside for the Common Stock, multiplied by (ii) the number of whole shares of Common Stock into which such share of Series Preferred Stock is then convertible.

2. LIQUIDATION, DISSOLUTION OR WINDING UP; CERTAIN MERGERS, CONSOLIDATIONS AND ASSET SALES.

(a) THRESHOLD LIQUIDATIONS. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation in which the cash or the value of the property, rights or securities to be distributed to the holders of shares of Common Stock, assuming solely for purposes of this calculation, conversion of all shares of issued and outstanding Preferred Stock (including any shares of Preferred Stock reserved for issuance upon exercise of warrants, options or other rights then outstanding) and all other issued and outstanding debt or equity securities convertible into Common Stock, and the exercise of any warrants, options or other rights to acquire shares of Common Stock or Preferred Stock then outstanding, is equal to or greater than \$11.10 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares):

(i) SERIES D PREFERRED STOCK. The holders of shares of Series D Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Common Stock or any other class or series of stock ranking on liquidation junior to the Series D Preferred Stock by reason of their ownership thereof, an amount equal to \$5.70 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon, and no more. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series D Preferred Stock the full amount to which they shall be entitled under this subparagraph (i), the holders of shares of Series D Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series D Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(ii) SERIES C PREFERRED STOCK. After the payment of all preferential amounts required to be paid to the holders of Series D Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series D Preferred Stock, the holders of shares of Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Series A Preferred Stock,

Series B Preferred Stock, Common Stock or any other class or series of stock ranking on liquidation junior to the Series C Preferred Stock by reason of their ownership thereof, an amount equal to \$3.70 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon, and no more. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series C Preferred Stock the full amount to which they shall be entitled under this subparagraph (ii), the holders of shares of Series C Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series C Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(iii) SERIES B PREFERRED STOCK. After the payment of all preferential amounts required to be paid to the holders of Series C Preferred Stock and Series D Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series C Preferred Stock or Series D Preferred Stock, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Series A Preferred Stock, Common Stock or any other class or series of stock ranking on liquidation junior to the Series B Preferred Stock by reason of their ownership thereof, an amount equal to \$1.40 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon, and no more. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled under this subparagraph (iii), the holders of shares of Series B Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series B Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(iv) SERIES A PREFERRED STOCK. After the payment of all preferential amounts required to be paid to the holders of Series B Preferred Stock Series C Preferred Stock and Series D Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Common Stock or any other class or series of stock ranking on liquidation junior to the Series A

Preferred Stock by reason of their ownership thereof, an amount equal to \$1.20 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon, and no more. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this subparagraph (iv), the holders of shares of Series A Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series A Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(v) COMMON STOCK. After the payment of all preferential amounts required to be paid to the holders of Series Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with any series of the Series Preferred Stock, upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of stock ranking on liquidation junior to the Series Preferred Stock then outstanding shall be entitled to receive the remaining assets and funds of the Corporation available for distribution to its stockholders.

(b) OTHER LIQUIDATIONS. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation in which the cash or the value of the property, rights or securities to be distributed to the holders of shares of Common Stock, assuming solely for purposes of this calculation, conversion of all shares of issued and outstanding Preferred Stock (including any shares of Preferred Stock reserved for issuance upon exercise of warrants, options or other rights then outstanding) and all other issued and outstanding debt or equity securities convertible into Common Stock, and the exercise of any warrants, options or other rights to acquire shares of Common Stock or Preferred Stock then outstanding, is less than \$11.10 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares):

(i) SERIES D PREFERRED STOCK. The holders of shares of Series D Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Common Stock or any other class or series of stock ranking on liquidation junior to the Series D Preferred Stock by reason of their ownership thereof, an amount equal to \$5.70 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series D Preferred Stock the

full amount to which they shall be entitled under this subparagraph (i), the holders of shares of Series D Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series D Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(ii) SERIES C PREFERRED STOCK. After the payment of all preferential amounts required to be paid to the holders of Series D Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series C Preferred Stock, the holders of shares of Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Series A Preferred Stock, Series B Preferred Stock, Common Stock or any other class or series of stock ranking on liquidation junior to the Series C Preferred Stock by reason of their ownership thereof, an amount equal to \$3.70 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series C Preferred Stock the full amount to which they shall be entitled under this subparagraph (ii), the holders of shares of Series C Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series C Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(iii) SERIES B PREFERRED STOCK. After the payment of all preferential amounts required to be paid to the holders of Series C Preferred Stock and Series D Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series C Preferred Stock or Series D Preferred Stock, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Series A Preferred Stock, Common Stock or any other class or series of stock ranking on liquidation junior to the Series B Preferred Stock by reason of their ownership thereof, an amount equal to \$1.40 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled under this subparagraph (iii), the holders of shares of Series B Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series B Preferred Stock shall

share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(iv) SERIES A PREFERRED STOCK. After the payment of all preferential amounts required to be paid to the holders of Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Common Stock or any other class or series of stock ranking on liquidation junior to the Series A Preferred Stock by reason of their ownership thereof, an amount equal to \$1.20 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), plus any dividends declared but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this subparagraph (iv), the holders of shares of Series A Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series A Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(v) OTHER DISTRIBUTIONS. After the payment of all preferential amounts required under subparagraphs (i)-(iv) above of this paragraph (b) to be paid to the holders of Series Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with any series of Series Preferred Stock, the remaining assets and funds of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Series Preferred Stock, Common Stock and any other class or series of stock entitled to participate in liquidation distributions with the holders of Common Stock, pro rata based on the number of shares of Common Stock held by each (assuming conversion into Common Stock of all such shares).

(c) MERGER, CONSOLIDATION OR CHANGE OF CONTROL. Any merger or consolidation (or other change-of-control transaction which results in the exchange of outstanding shares of the Corporation for securities or other consideration issued or paid or caused to be paid by any entity or affiliate thereof), in which either the Corporation or a subsidiary is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger, consolidation or change of control transaction (except any such merger, consolidation or change-of-control transaction involving the Corporation or a subsidiary in which the holders of capital stock of the Corporation immediately prior to such merger, consolidation or change-of-control transaction continue to hold

immediately thereafter at least 51% by voting power of the capital stock of (A) the surviving or resulting corporation or (B) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger, consolidation or change-of-control transaction, the parent corporation of such surviving or resulting corporation), or any sale of all or substantially all the assets of the Corporation, shall be deemed to be a liquidation of the Corporation for purposes of this Section 2, subject to the right of each holder of Series Preferred Stock to exercise its right of conversion under Section 4 below. In the case of a merger, consolidation or sale that is deemed to be a liquidation for purposes of this Section 2, the agreement or plan of merger or consolidation with respect to such merger or consolidation or sale shall provide that the consideration payable to the stockholders of the Corporation (in the case of a merger or consolidation), or consideration payable to the Corporation, together with all other available assets of the Corporation (in the case of an asset sale) shall be distributed to the holders of capital stock of the Corporation in accordance with Subsections 2(a) or 2(b) above. The amount deemed distributed to the holders of Series Preferred Stock upon any such merger, consolidation or sale shall be the cash or the value of the property, rights or securities distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or other securities shall be determined in good faith in accordance with Section 2(d) below.

(d) VALUATION. Whenever the distribution provided for in this Section 2 shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by the Board of Directors of the Corporation; provided that in the event that a distribution pursuant to Section 2(c) is payable in securities that are listed on a national securities exchange, the NASDAQ National Market System, the NASDAQ system or any other nationally recognized exchange or trading system ("Listed Securities"), the value of such securities shall be deemed to be the last reported sale price of such securities on the date of the consummation of such liquidation, dissolution, winding up, merger or consolidation. Notwithstanding the foregoing, if, in the case of any such liquidation in which the consideration to be paid is other than cash or Listed Securities, the Board of Directors shall have determined the value of a distribution and holders of a majority of the shares of all series of the Series Preferred Stock, voting together as a single class (the "Contesting Holders") notify the Board of Directors within five business days after receiving written notification of such determination of fair market value that they disagree with such determination, then the Board of Directors and the Contesting Holders shall have 30 days to agree upon a fair market value of the relevant property. If, by the end of such 30-day period they are unable to agree on a fair market value, the fair market value shall be determined by an appraisal to be paid for by the Corporation. All appraisals shall be undertaken by two appraisers, one selected by the Corporation and one selected by the Contesting Holders, which selections must be made within 10 days after the expiration of the 30-day period described above. If one selecting party fails to timely select its appraiser, the other selecting party shall select both appraisers. The fair market value shall be the fair market value arrived at by those appraisers within 60 days following the appointment of the last appraiser to be appointed. In the event that the two appraisers cannot agree on such fair market value within such a period of time, (i) if the appraisers' valuations are within 10% of each other the fair market value shall be the average of the two valuations and (ii) if the differences in the valuations are greater, the appraisers shall elect a third appraiser who will calculate fair market value independently, and, except as provided in the next sentence, the fair

market value of the property shall in each case be the average of the two fair market values arrived at by the appraisers who are closest in amount. If one appraiser's valuation is the average of the other two valuations, the average valuation shall be the fair market value. In the event that the two original appraisers cannot agree upon a third appraiser within 30 days following the end of the 60-day period referred to above, then the third appraiser shall be appointed by the American Arbitration Association.

3. VOTING.

(a) Each holder of outstanding shares of Series Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series Preferred Stock held by such holder are then convertible (as adjusted from time to time pursuant to Section 4 hereof), at each meeting of stockholders of the Corporation (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration. Except as provided by law or by the provisions of Subsections 3(b), 3(c) or 3(d) below, holders of Series Preferred Stock shall vote together with the holders of Common Stock as a single class.

(b) In addition to any other rights provided by law or by this Certificate of Incorporation, for so long as 3,000,000 shares of Series Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval of the holders of at least sixty percent (60%) of the then-outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, voting together as a single class, authorize or issue any new or existing class or classes or series of capital stock having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Series D Preferred Stock, or authorize or issue shares of stock of any class, or any bonds, debentures or notes convertible into any shares of stock of any class, or any shares of stock of the Corporation having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of the Series D Preferred Stock (any such securities ranking superior to or on a parity with the Series D Preferred Stock being hereinafter referred to as "Senior Preferred Stock"), or reclassify any outstanding shares of capital stock into shares of Senior Preferred Stock.

(c) In addition to any other rights provided by law or by this Certificate of Incorporation, for so long as 3,000,000 shares of Series Preferred Stock are outstanding, the Corporation shall not take any of the following actions with respect to any series of Series Preferred Stock without first obtaining the approval of the holders of at least fifty-one percent (51%) of the then-outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, voting together as a single class:

(i) amend or repeal any provision of, or add any provision to, the Corporation's Certificate of Incorporation, including without limitation Article Fourth hereof, or Bylaws;

(ii) pay or declare any dividend or distribution on any shares of its capital stock (except dividends payable solely in shares of Common Stock), or apply any of its assets to the redemption, retirement, purchase or acquisition, directly or indirectly, through subsidiaries or otherwise, of any shares of its capital stock (other than as provided under Section 6 below and the repurchase of Common Stock upon termination of employment or service);

(iii) merge or consolidate into or with any other corporation or other entity, or otherwise engage in a change of control transaction, except for such mergers for which the sole purpose is to change the Company's jurisdiction of incorporation or a reorganization pursuant to the provisions of Section 251(g) of the Delaware General Corporation Law;

(iv) do any act or thing not authorized or contemplated by this Certificate of Incorporation which would result in taxation of the holders of shares of Series Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (or any comparable provision of the Internal Revenue Code as hereafter from time to time amended);

(v) incur any debt outside the ordinary course of business in excess of \$2,000,000 (such debt not in excess of \$2,000,000 being referred to in this Certificate of Incorporation as "Permitted Indebtedness");

(vi) sell, lease or otherwise dispose of all or substantially all of its assets or properties; or

(vii) voluntarily liquidate, wind up or dissolve.

(d) In addition to any other rights provided by law or by this Certificate of Incorporation, for so long as any shares of Series A Preferred Stock, Series B Preferred Stock Series C Preferred Stock or Series D Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval of the holders of at least sixty percent (60%) of the then-outstanding shares of the Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock, or seventy percent (70%) of the then outstanding shares of the Series D Preferred Stock, as applicable, each voting as a separate class,

(i) authorize or issue any new or existing class or classes or series of capital stock having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of such series of Series Preferred Stock, except for Senior Preferred Stock, or, except for Senior Preferred Stock, authorize or issue shares of stock of any class, or any bonds, debentures or notes convertible into any shares of stock of any class, or any shares of stock of the Corporation having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of such series of Series Preferred Stock;

(ii) reclassify any Common Stock into shares having any preference or priority as to dividends or assets superior to or on a parity with any such preference or priority of such series of Series Preferred Stock;

(iii) increase the authorized amount of such series of Series Preferred Stock; or

(iv) (A) alter or change the rights, preferences or privileges of (x) such series of Series Preferred Stock or (y) any existing class or series of capital stock into a class or series of capital stock having any preference or priority as to dividends or assets superior to or on a parity with the preference or priority of such series of Series Preferred Stock (but junior to the Senior Preferred Stock), or (B) otherwise amend the Certificate of Incorporation or Bylaws of the Corporation (other than to authorize, create or issue any Senior Preferred Stock), if any such amendment to the Certificate of Incorporation or Bylaws of the Corporation under this clause (iv)(B) would disproportionately adversely affect such series of Series Preferred Stock.

4. OPTIONAL CONVERSION.

The holders of the Series Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) RIGHT TO CONVERT. Each share of Series Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time (provided that upon a liquidation under Section 2, the right of conversion shall terminate at the close of business on the business day fixed for payment of the amount distributable on the Series Preferred Stock upon such liquidation), and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing \$1.20 in the case of the Series A Preferred Stock, \$1.40 per share in the case of the Series B Preferred Stock, \$3.70 in the case of the Series C Preferred Stock and \$5.70 per share in the case of the Series D Preferred Stock, by the Applicable Conversion Price (as defined below) in effect at the time of conversion. The "Applicable Conversion Price" shall initially be \$1.20 in the case of the Series A Preferred Stock, \$1.40 per share in the case of the Series B Preferred Stock, \$3.70 in the case of the Series C Preferred Stock and \$5.70 in the case of the Series D Preferred Stock. Each such initial Applicable Conversion Price, and the rate at which shares of each series of Series Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

In the event of a notice of redemption of any shares of Series Preferred Stock pursuant to Section 6 hereof, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the first full day preceding the date fixed for redemption, unless the redemption price is not paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation of the Corporation, the Conversion Rights shall terminate at the close of business on the first full day preceding the date

fixed for the payment of any amounts distributable on liquidation to the holders of Series Preferred Stock.

(b) FRACTIONAL SHARES. No fractional shares of Common Stock shall be issued upon conversion of the Series Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then effective Applicable Conversion Price.

(c) MECHANICS OF CONVERSION.

(i) In order for a holder of Series Preferred Stock to convert shares of Series Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Series Preferred Stock, at the office of the transfer agent for the Series Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Series Preferred Stock represented by such certificate or certificates. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his or its attorney duly authorized in writing. The date of receipt of such certificates and notice by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) shall be the conversion date ("Conversion Date"), and the shares of Common Stock issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record as of such date. The Corporation shall, promptly after the Conversion Date, issue and deliver at such office to such holder of Series Preferred Stock, or to his or its nominees, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled, together with cash in lieu of any fraction of a share.

(ii) The Corporation shall at all times when any Series Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the Series Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series Preferred Stock. Before taking any action which would cause an adjustment reducing any Applicable Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of any series of the Series Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Applicable Conversion Price.

(iii) Upon any such conversion, no adjustment to any Applicable Conversion Price shall be made for any declared but unpaid dividends on the Series Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

(iv) All shares of Series Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall immediately cease and terminate on the Conversion Date, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and payment of any dividends declared but unpaid thereon. Any shares of Series Preferred Stock so converted shall be retired and canceled and shall not be reissued, and the Corporation (without the need for stockholder action) may from time to time take such appropriate action as may be necessary to reduce the authorized number of shares of the applicable series of Series Preferred Stock accordingly.

(v) The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(vi) Upon receipt by the Corporation of evidence of the loss, theft, destruction or mutilation of any Preferred Stock Certificates representing shares of Series Preferred Stock, or (in the case of loss, theft or destruction) of an affidavit or lost security and indemnity from the Holder reasonably satisfactory to the Corporation, and upon surrender and cancellation of the Series Preferred Stock certificates, if mutilated, the Corporation shall execute and deliver new Series Preferred Stock certificates of like tenor and date. However, the Corporation shall not be obligated to re-issue any lost or stolen Series Preferred Stock Certificates if Holder contemporaneously requests the Corporation to convert such Preferred Stock into Common Stock.

(d) ADJUSTMENTS TO APPLICABLE CONVERSION PRICE FOR DILUTING ISSUES.

(i) SPECIAL DEFINITIONS. For purposes of this Section 4, the following definitions shall apply:

(A) "OPTION" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities, excluding options described in subsection 4(d)(i)(D)(IV) below.

(B) "ORIGINAL ISSUE DATE" shall mean the date on which a share of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock, as the case may be, was first issued.

(C) "CONVERTIBLE SECURITIES" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(D) "ADDITIONAL SHARES OF COMMON STOCK" shall mean all shares of Common Stock issued (or, pursuant to Subsection 4(d)(iii) below, deemed to be issued) by the Corporation after the Original Issue Date of the Series D Preferred Stock, other than:

(1) shares of Common Stock issued or issuable upon conversion or exchange of any Convertible Securities or exercise of any Options outstanding on the Original Issue Date of the Series D Preferred Stock;

(2) shares of Common Stock issued or issuable as a dividend or distribution on Series Preferred Stock;

(3) shares of Common Stock issued or issuable by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4(e) or 4(f) below; or

(4) up to 3,963,000 shares of Common Stock (or options with respect thereto, but subject in either case to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), issued or issuable to employees or directors of, or consultants to, the Corporation pursuant to a plan or arrangement approved by the Board of Directors of the Corporation (provided that any options for such shares that expire or terminate unexercised shall not be counted toward such maximum number unless the terms of such options (whether set forth in a plan or definitive agreement) expressly provide otherwise).

(ii) NO ADJUSTMENT OF APPLICABLE CONVERSION PRICE. No adjustment in the number of shares of Common Stock into which the Series Preferred Stock is convertible shall be made, by adjustment in any Applicable Conversion Price thereof: (a) unless the consideration per share (determined pursuant to Subsection 4(d)(v)) for an Additional Share of Common Stock issued or deemed to be issued by the Corporation is less than such Applicable Conversion Price in effect immediately prior to the issue of such Additional Shares, or (b) if prior to such issuance, the Corporation receives written notice from the holders of at least sixty percent (60%) of the then outstanding shares of the affected class of Series Preferred Stock, in the case of Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock, or at least seventy percent (70%) of the then outstanding shares of the affected class of Series Preferred Stock, in the case of Series D Preferred Stock, agreeing

that no such adjustment shall be made as the result of the issuance of Additional Shares of Common Stock.

(iii) ISSUE OF SECURITIES DEEMED ISSUE OF ADDITIONAL SHARES OF COMMON STOCK. If the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Subsection 4(d)(v) hereof) of such Additional Shares of Common Stock would be less than any Applicable Conversion Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(A) No further adjustment in any Applicable Conversion Price shall be made upon the subsequent issue of such Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(B) If such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Corporation, then upon the exercise, conversion or exchange thereof, the Applicable Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(C) Upon the expiration or termination of any such unexercised Option or unconverted Convertible Security, the Applicable Conversion Price shall not be readjusted, but the Additional Shares of Common Stock deemed issued as the result of the original issue of such Option or Convertible Security shall not be deemed issued for the purposes of any subsequent adjustment of the Applicable Conversion Price;

(D) In the event of any change in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or

Convertible Security, including, but not limited to, a change resulting from the anti-dilution provisions thereof, the Applicable Conversion Price then in effect shall forthwith be readjusted to such Applicable Conversion Price as would have obtained had the adjustment which was made upon the issuance of such Option or Convertible Security not exercised, converted or exchanged prior to such change been made upon the basis of such change; and

(E) No readjustment pursuant to clause (B) or (D) above shall have the effect of increasing any Applicable Conversion Price to an amount which exceeds the lower of (i) such Applicable Conversion Price on the original adjustment date, or (ii) such Applicable Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock between the original adjustment date and such readjustment date.

In the event the Corporation, after the Original Issue Date, amends the terms of any such Options or Convertible Securities (whether such Options or Convertible Securities were outstanding on the Original Issue Date or were issued after the Original Issue Date), then such Options or Convertible Securities, as so amended, shall be deemed to have been issued after the Original Issue Date and the provisions of this Subsection 4(d)(iii) shall apply.

(iv) ADJUSTMENT OF APPLICABLE CONVERSION PRICE UPON ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK. In the event the Corporation shall at any time after the Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4(d)(iii)), without consideration or for a consideration per share less than any Applicable Conversion Price in effect immediately prior to such issue, then and in such event, such Applicable Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Applicable Conversion Price by a fraction, (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received or to be received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such Applicable Conversion Price; and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; PROVIDED THAT, (i) for the purpose of this Subsection 4(d)(iv), all shares of Common Stock issuable upon conversion or exchange of Convertible Securities outstanding immediately prior to such issue shall be deemed to be outstanding, and (ii) the number of shares of Common Stock deemed issuable upon conversion or exchange of such outstanding Convertible Securities shall not give effect to any adjustments to the conversion or exchange price or conversion or exchange rate of such Convertible Securities resulting from the issuance of Additional Shares of Common Stock that is the subject of this calculation.

(v) DETERMINATION OF CONSIDERATION. For purposes of this Subsection 4(d), the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(A) CASH AND PROPERTY: Such consideration shall:

(1) insofar as it consists of cash, be computed at the aggregate of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(2) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(3) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (I) and (II) above, as determined in good faith by the Board of Directors.

(B) OPTIONS AND CONVERTIBLE SECURITIES. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4(d)(iii), relating to Options and Convertible Securities, shall be determined by dividing

(x) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(y) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(e) ADJUSTMENT FOR STOCK SPLITS AND COMBINATIONS. If the Corporation shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, the Applicable Conversion Price then in effect immediately before that subdivision

shall be proportionately decreased. If the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the Applicable Conversion Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) ADJUSTMENT FOR CERTAIN DIVIDENDS AND DISTRIBUTIONS. In the event the Corporation at any time, or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Applicable Conversion Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Applicable Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however, if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Applicable Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Applicable Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions; and provided further, however, that no such adjustment shall be made if the holders of Series Preferred Stock simultaneously receive (i) a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series Preferred Stock had been converted into Common Stock on the date of such event or (ii) a dividend or other distribution of shares of Series Preferred Stock which are convertible, as of the date of such event, into such number of shares of Common Stock as is equal to the number of additional shares of Common Stock being issued with respect to each share of Common Stock in such dividend or distribution.

(g) ADJUSTMENTS FOR OTHER DIVIDENDS AND DISTRIBUTIONS. In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than shares of Common Stock) or in cash or other property (other than cash out of earnings or earned surplus, determined in accordance with generally accepted accounting principles), then and in each such event provision shall be made so

that the holders of the Series Preferred Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Corporation that they would have received had the Series Preferred Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this paragraph with respect to the rights of the holders of the Series Preferred Stock; and provided further, however, that no such adjustment shall be made if the holders of Series Preferred Stock simultaneously receive a dividend or other distribution of such securities in an amount equal to the amount of such securities as they would have received if all outstanding shares of Series Preferred Stock had been converted into Common Stock on the date of such event.

(h) ADJUSTMENT FOR MERGER OR REORGANIZATION, ETC. Subject to the provisions of Subsection 2(c), if there shall occur any reorganization, recapitalization, consolidation or merger involving the Corporation in which the Common Stock is converted into or exchanged for securities, cash or other property (other than a transaction covered by paragraphs (e), (f) or (g) of this Section 4), then, following any such reorganization, recapitalization, consolidation or merger, each share of Series Preferred Stock shall be convertible into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Series Preferred Stock immediately prior to such reorganization, recapitalization, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions in this Section 4 set forth with respect to the rights and interest thereafter of the holders of the Series Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the Applicable Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Series Preferred Stock.

(i) CERTIFICATE AS TO ADJUSTMENTS. Upon the occurrence of each adjustment or readjustment of any Applicable Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series Preferred Stock, furnish or cause to be furnished to such holder a certificate setting forth (i) the Applicable Conversion Price then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Series Preferred Stock.

(j) NOTICE OF RECORD DATE. In the event:

(i) the Corporation shall take a record of the holders of its Common Stock (or other stock or securities at the time issuable upon conversion of the Series

Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for a purchase any shares of stock of any class or any other securities, or to receive any other right; or

(ii) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, any consolidation or merger of the Corporation with or into another corporation (other than a consolidation or merger in which the Corporation is the surviving entity and its Common Stock is not converted into or exchanged for any other securities or property), or any transfer of all or substantially all of the assets of the Corporation; or

(iii) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will mail or cause to be mailed to the holders of the Series Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time issuable upon the conversion of the Series Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up. Such notice shall be mailed at least 10 days prior to the record date or effective date for the event specified in such notice.

5. MANDATORY CONVERSION.

(a) Upon the closing of the sale of shares of Common Stock, at a price to the public of at least \$11.10 per share (subject to appropriate adjustment for stock splits, stock dividends, combinations and other similar recapitalizations affecting such shares), in a public offering conducted by a nationally recognized (as determined by the Board of Directors) underwriter (pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$20,000,000 of gross proceeds to the Corporation (the "Mandatory Conversion Date"), (i) all outstanding shares of Series Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate and (ii) the number of authorized shares of Preferred Stock shall be automatically reduced by the number of shares of Preferred Stock that had been designated as Series Preferred Stock, and all provisions included under the caption "Series Preferred Stock", and all references to the Series Preferred Stock, shall be deleted and shall be of no further force or effect.

(b) All holders of record of shares of Series Preferred Stock shall be given written notice of the Mandatory Conversion Date and the place designated for mandatory conversion of all such shares of Series Preferred Stock pursuant to this Section 5. Such notice need not be given in

advance of the occurrence of the Mandatory Conversion Date. Such notice shall be sent by first class or registered mail, postage prepaid, to each record holder of Series Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series Preferred Stock (or the records of the Corporation, if it serves as its own transfer agent). Upon receipt of such notice, each holder of shares of Series Preferred Stock shall surrender his or its certificate or certificates for all such shares to the Corporation at the place designated in such notice, and shall thereafter receive certificates for the number of shares of Common Stock to which such holder is entitled pursuant to this Section 5. On the Mandatory Conversion Date, all outstanding shares of Series Preferred Stock shall be deemed to have been converted into shares of Common Stock, which shall be deemed to be outstanding of record, and all rights with respect to the Series Preferred Stock so converted, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock) will terminate, except only the rights of the holders thereof, upon surrender of their certificate or certificates therefor, to receive certificates for the number of shares of Common Stock into which such Series Preferred Stock has been converted, and payment of any declared but unpaid dividends thereon. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his or its attorney duly authorized in writing. As soon as practicable after the Mandatory Conversion Date and the surrender of the certificate or certificates for Series Preferred Stock, the Corporation shall cause to be issued and delivered to such holder, or on his or its written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof and cash as provided in Subsection 4(b) in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion.

(c) All certificates evidencing shares of Series Preferred Stock which are required to be surrendered for conversion in accordance with the provisions hereof shall, from and after the Mandatory Conversion Date, be deemed to have been retired and canceled and the shares of Series Preferred Stock represented thereby converted into Common Stock for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date. Such converted Series Preferred Stock may not be reissued, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series Preferred Stock accordingly.

6. REDEMPTION.

(a) The Corporation will, subject to the conditions set forth below, on January 27, 2005 and on each of the first and second anniversaries thereof (each such date being referred to hereinafter as a "Mandatory Redemption Date"), upon receipt not less than 60 nor more than 120 days prior to the applicable Mandatory Redemption Date of written request(s) for redemption (an "Initial Redemption Request") from holders of any shares of Series C Preferred Stock or Series D Preferred Stock (collectively referred to in this Section 6 as the "Redeemable Preferred Stock") then outstanding, redeem from each holder of shares of Redeemable Preferred Stock that requests redemption pursuant to the Initial Redemption Request or pursuant to a subsequent election made in accordance with Section 6(b) below (a "Requesting Holder"), at a price equal to (i) \$3.70 per

share, in the case of Series C Preferred Stock, or (ii) \$5.70, in the case of Series D Preferred Stock, plus, in either case, any dividends declared but unpaid thereon, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares (the "Mandatory Redemption Price"), the number of shares of Redeemable Preferred Stock requested to be redeemed by each Requesting Holder, but not more than the following respective portions of the number of shares of Redeemable Preferred Stock held by such Requesting Holder on the applicable Mandatory Redemption Date.

Mandatory Redemption Date -----	Maximum Portion of Shares of Redeemable Preferred Stock To Be Redeemed From each Requesting Holder -----
January 27, 2005	33%
January 27, 2006	50%
January 27, 2007	100%

(b) The Corporation shall provide notice of its receipt of an Initial Redemption Request, specifying the time, manner and place of redemption and the Mandatory Redemption Price (a "Redemption Notice"), by first class or registered mail, postage prepaid, to each holder of record of Redeemable Preferred Stock at the address for such holder last shown on the records of the transfer agent therefor (or the records of the Corporation, if it serves as its own transfer agent), not less than 45 days prior to the applicable Mandatory Redemption Date. Each holder of Redeemable Preferred Stock (other than a holder who has made the Initial Redemption Request) may elect to become a Requesting Holder on such Mandatory Redemption Date by so indicating in a written notice mailed to the Company, by first class or registered mail, postage prepaid, at least 30 days prior to the applicable Mandatory Redemption Date. Except as provided in Subsections 6(c) and (d) below, each Requesting Holder shall surrender to the Corporation on the applicable Mandatory Redemption Date the certificate(s) representing the shares to be redeemed on such date, in the manner and at the place designated in the Redemption Notice. Thereupon, the Mandatory Redemption Price shall be paid to the order of each such Requesting Holder and upon such payment each certificate surrendered for redemption shall be canceled.

(c) If the funds of the Corporation legally available for redemption on any Mandatory Redemption Date are insufficient to redeem the number of shares of Series C Preferred Stock and Series D Preferred Stock required under this Section 6 to be redeemed on such date from Requesting Holders, those funds which are legally available will be used to first to redeem the maximum possible number of such shares of Series D Preferred Stock ratably on the basis of the number of shares of Series D Preferred Stock which would be redeemed on such date if the funds of the Corporation legally available therefor had been sufficient to redeem all shares of Series D Preferred Stock required to be redeemed on such date. At any time thereafter when additional funds of the Corporation become legally available for the redemption of Series D Preferred Stock as provided in this Section 6, such funds will be used, at the end of the next succeeding fiscal quarter, to redeem the balance of such shares which the Corporation was theretofore obligated to redeem,

ratably on the basis set forth in the preceding sentence. After all shares of Series D Preferred Stock for which redemption on a Mandatory Redemption Date have been redeemed, then any funds of the Corporation legally available for redemption on such Mandatory Redemption Date shall be used to redeem shares of Series C Preferred Stock for which redemption has been requested, ratably on the basis of the number of shares of Series C Preferred Stock which would be redeemed on such date if the funds of the Corporation legally available therefor had been sufficient to redeem all shares of Series C Preferred Stock required to be redeemed on such date. At any time thereafter when additional funds of the Corporation become legally available for the redemption of Series C Preferred Stock as provided in this Section 6, such funds will be used, at the end of the next succeeding fiscal quarter, to redeem the balance of such shares which the Corporation was theretofore obligated to redeem, ratably on the basis set forth in the preceding sentence.

(d) Unless there shall have been a failure to pay the Mandatory Redemption Price, on the Mandatory Redemption Date all rights of the holder of each share redeemed on such date as a stockholder of the Corporation by reason of the ownership of such share will cease, except the right to receive the Mandatory Redemption Price of such share, without interest, upon presentation and surrender of the certificate representing such share, and such share will not from and after such Mandatory Redemption Date be deemed to be outstanding.

(e) Any Redeemable Preferred Stock redeemed pursuant to this Section 6 will be canceled and will not under any circumstances be reissued, sold or transferred and the Corporation may from time to time take such appropriate action as may be necessary to reduce the authorized shares of either series of Redeemable Preferred Stock accordingly.

FIFTH. In furtherance of and not in limitation of powers conferred by statute, it is further provided:

1. Election of directors need not be by written ballot.

2. The Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of the Corporation.

SIXTH. Except to the extent that the General Corporation Law of the State of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

SEVENTH. The Corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time, indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation,

or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of an Indemnitee in connection with such action, suit or proceeding and any appeal therefrom.

An Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought, provided that the failure to so promptly notify shall not relieve the Corporation of its obligation to indemnify hereunder except and only to the extent that such failure shall prejudice the Corporation's ability to indemnify therefor. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee.

In the event that the Corporation does not assume the defense of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, the Corporation shall pay in advance of the final disposition of such matter any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom; PROVIDED, HOWEVER, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article, which undertaking shall be accepted without reference to the financial ability of the Indemnitee to make such repayment.

The Corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by such Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation. In addition, the Corporation shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

All determinations hereunder as to the entitlement of an Indemnitee to indemnification or advancement of expenses shall be made in each instance by (a) a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or

proceeding in question, (c) independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the Corporation), or (d) a court of competent jurisdiction.

The indemnification rights provided in this Article (i) shall not be deemed exclusive of any other rights to which an Indemnitee may be entitled under any law, agreement or vote of stockholders or disinterested directors or otherwise, and (ii) shall inure to the benefit of the heirs, executors and administrators of the Indemnitees. The Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

EIGHTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

NINTH. The books of the Corporation may be kept (subject to any provision contained in the General Corporation Law of the State of Delaware) outside the State of Delaware at such place as may be designated from time to time by the Board of Directors or the By-laws of the Corporation.

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IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be affixed hereto and this Amended and Restated Certificate of Incorporation to be signed by its President this 27th day of January 2000.

LIVE PERSON, INC.

/s/ Robert LoCascio

Robert LoCascio, President

BYLAWS OF

SYBARITE INTERACTIVE INC.

Adopted as of November 29, 1995

ARTICLE I

OFFICES

Section 1. REGISTERED OFFICE. The registered office of the above-named corporation shall be located at 1013 Centre Road, City of Wilmington, County of New Castle, State of Delaware.

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

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

Section 2. ANNUAL MEETING. Annual meetings of stockholders, commencing with the year 1996, shall be held on the first Tuesday in November if not a legal holiday, and, if a legal holiday, then on the next business day following, at 10:00 A.M., or at such other date and time as shall be designated from time to time by the Board of Directors. For the purposes of these by-laws a "business day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York, New York are authorized or obligated by law or executive order to be closed. At the annual meeting, holders of the corporation's voting stock, shall elect, by a plurality vote, a Board of Directors and transact such other business as may properly be brought before the meeting.

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

Section 4. LIST OF STOCKHOLDERS. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least five (5) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least five (5) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. SPECIAL MEETINGS. Special meetings of the stockholders for any purpose or purposes, unless otherwise prescribed by statute, by the certificate of incorporation or by an agreement by and among the stockholders, may be called by the President and shall be called by the President or the Secretary at the request in writing of a majority of the Board of Directors or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

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

Section 7. LIMIT ON BUSINESS AT SPECIAL MEETINGS. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. QUORUMS. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of stockholders for the transaction of business, except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of such adjourned meeting, until a quorum shall be

present by proxy or represented by proxy. At any adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. VOTING AT MEETINGS. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power, present in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which by express statutory provision, provision of the certificate of incorporation or provision of an agreement by and among the stockholders a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 10. VOTING POWER. Unless otherwise provided in the certificate of incorporation or an agreement by and among the stockholders, each stockholder shall at every meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three (3) years from its date, unless the proxy provides for a longer period.

Section 11. WRITTEN CONSENT WITHOUT MEETING. Unless otherwise provided in the certificate of incorporation or an agreement by and among the stockholders, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

Section 1. GENERAL POWERS. The business of the corporation

shall be managed by, or under the direction of, its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute, the certificate of incorporation, these bylaws or an agreement by and among the stockholders directed or required to be exercised or done by the stockholders.

Section 2. ELECTION AND TENURE. The number of directors which shall constitute the whole board shall be not less than one (1) and not more than seven (7). The first board shall consist of one (1) director. Thereafter the number of directors shall be determined by the Board of Directors or by the stockholders at any meeting or in an agreement by and among the stockholders. Except as provided in Section 3 of this Article III or in an agreement by and among the stockholders, each director shall hold office until his successor or successors are elected and shall qualify or until his earlier resignation or removal.

Section 3. VACANCIES AND NEWLY CREATED DIRECTORSHIPS. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director and the directors so chosen shall hold office for the remainder of the term of the directors whom they replaced and until their successors are duly elected and qualified, or until their earlier resignation or removal. If there are no directors in office, then an election of directors may be held in the manner provided by statute or by an agreement by and among the stockholders.

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

Section 5. ANNUAL MEETINGS. The first meeting of each newly elected Board of Directors shall be held immediately after the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 6. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President on two (2) days' notice to each director, either personally, by mail, by telegram, by telex or by facsimile transmission; special meetings shall be called by the President in like manner and on like notice upon the written request of a majority of the directors then in

office. Unless otherwise required by the laws of the State of Delaware, any two directors shall have the right to call a meeting of the Board of Directors. Any notice may be given by the Secretary and need not state the purpose or purposes of the meeting unless otherwise required by these bylaws.

Section 8. QUORUM AND ADJOURNMENTS. At all meetings of the board, a majority of the directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the certificate of incorporation or by an agreement by and among the stockholders. At all meetings of the Board of Directors, a majority of the directors, which majority must include at least one designee of Robert LoCascio, so long as he shall be entitled to designate directors pursuant to the Second Amended and Restated Stockholders Agreement dated as of July 19, 1999, as the same may be amended from time to time (as so amended, the "Stockholders Agreement"), among the Company and the stockholders of the Company named therein, and at least one designee appointed by Investors (as such term is defined in the Stockholders Agreement") holding Preferred Stock. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present.

Section 9. ACTION BY CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing and the writing is filed with the minutes of the proceedings of the board or committee.

Section 10. MEETINGS BY TELEPHONE OR SIMILAR COMMUNICATIONS EQUIPMENT. Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or any committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 11. COMPENSATION. Unless otherwise restricted by the certificate of incorporation, these bylaws or by an agreement by and among the stockholders, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 12. REMOVAL OF DIRECTORS. Unless otherwise restricted by statute, by the certificate of incorporation or by an agreement by and among the stockholders, any director or the

entire Board of Directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

Section 13. RESIGNATION OF DIRECTORS. Any director may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the corporation. Unless otherwise specified in such notice, a resignation shall take effect upon the delivery thereof to the Board of Directors or the designated officer. It shall not be necessary for a resignation to be accepted before it becomes effective.

ARTICLE IV

COMMITTEES

Section 1. DESIGNATION. The Board of Directors may, by resolution passed by a majority of the whole board, designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the corporation. The board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

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

Section 2. POWERS. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the State of Delaware General Corporation Law, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), adopting an agreement of

merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution or amending these bylaws; and, unless the resolution or the certificate of incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or to adopt a certificate of ownership and merger. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 3. MINUTES AND REPORTS. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

ARTICLE V

NOTICES

Section 1. FORM AND DELIVERY. Whenever, under the provisions of statutes, the certificate of incorporation or these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram, telex or facsimile transmission at such director's address as it appears in the corporation's records.

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

Section 3. ATTENDANCE AT MEETINGS AS WAIVER OF NOTICE. Any stockholder who attends a meeting of stockholders in person or is represented at that meeting by proxy without protesting, at the commencement of the meeting, the lack of notice to him or any director who attends a meeting of the Board of Directors without protesting, at the commencement of the meeting, the lack of notice to him shall, in each case, be conclusively deemed to have waived notice of that meeting.

ARTICLE VI

OFFICERS

Section 1. DESIGNATION. Subject to the terms of any agreement by and among the stockholders, the officers of the corporation shall be chosen by the Board of Directors and shall be a President, a Treasurer and a Secretary. The Board of Directors may also choose one or more Vice Presidents and one or more Assistant Treasurers and Assistant Secretaries. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

Section 2. ELECTION. Subject to the terms of any agreement by and among the stockholders, the Board of Directors at its annual meeting shall choose a President, a Treasurer and a Secretary and may choose such other officers as it deems appropriate.

Section 3. POWERS AND OTHER DUTIES. The officers shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 4. SALARIES. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

Section 5. TERM OF, AND REMOVAL FROM, OFFICE. The officers of the corporation shall hold office until their successors are chosen and qualified. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

Section 6. THE PRESIDENT. The President shall be the chief executive officer and chairman of the Board of Directors of the corporation. The President shall preside at all meetings of the stockholders and the Board of Directors, shall have general and active management of the day-to-day operations of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

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

Section 7. THE TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings or when the Board of Directors so requires, an account of all the Treasurer's transactions and of the financial condition of the corporation.

If required by the Board of Directors, the Treasurer shall give the corporation a bond (which shall be renewed every six (6) years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the Treasurer's office and for the restoration to the corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under the Treasurer's control belonging to the corporation.

Section 8. VICE PRESIDENTS. The Vice Presidents, if any, shall perform such duties and have such powers as the Board of Directors may from time to time prescribe.

Section 9. THE SECRETARY. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Board of Directors and of the stockholders in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors and shall perform such other duties as may be prescribed by the Board of Directors or the President, under whose supervision he shall be. The Secretary shall have custody of the corporate seal of the corporation and the Secretary or an Assistant Secretary shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the Secretary's signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by the Secretary's signature.

Section 10. THE ASSISTANT TREASURERS AND SECRETARIES. The

Assistant Treasurer and Assistant Secretary (or, if there is more than one, the Assistant Treasurers and Assistant Secretaries in the order designated by the Board of Directors or, if there be no such designation, then in the order of their election) shall, in the absence of the Treasurer or Secretary, or in the event of the Treasurer's or Secretary's inability or refusal to act, perform the duties and exercise the powers of the Treasurer or Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VII

CERTIFICATES FOR SHARES

Section 1. FORM AND SIGNATURES. The shares of the corporation shall be represented by a certificate or shall be uncertificated. Certificates shall be signed by, or in the name of the corporation by, the President or any Vice President and the Treasurer or Secretary or an Assistant Treasurer or Assistant Secretary of the corporation.

Upon the face or back of each stock certificate issued to represent any partly paid shares, or upon the books and records of the corporation in the case of uncertificated partly paid shares, shall be set forth the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated.

If the corporation shall be authorized to issue more than one (1) class of stock or more than one (1) series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 202 of the State of Delaware General Corporation Law, in lieu of the foregoing requirements, there may be set forth on the face or faces of the certificate which the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information

required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the State of Delaware General Corporation Law or a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

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

Section 3. LOST CERTIFICATES. The Board of Directors may direct a new certificate or certificates or uncertificated shares to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertificated shares, the Board of Directors may require the owner or his legal representative to give the corporation a bond in such sum as it may direct as indemnity against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. TRANSFERS OF STOCK. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instruments from the registered owner of uncertificated shares, such uncertificated shares shall be canceled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the corporation.

Section 5. RECORD DATE. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, to express consent to corporate action in writing without a meeting, to receive payment of any dividend or other distribution or allotment of any rights, to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance,

a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

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

ARTICLE VIII

INDEMNIFICATION AND INSURANCE

Section 1. INTENTIONALLY DELETED.

SECTION 2. INSURANCE FOR INDEMNIFICATION. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Section 145 of the General Corporation Law.

ARTICLE IX

GENERAL PROVISIONS

Section 1. DIVIDENDS. Dividends upon the outstanding capital stock of the corporation, subject to the provisions of the statutes, the certificate of incorporation or any agreement by and among the stockholders, may be declared by the Board of Directors at any regular or special meeting of directors and dividends may be paid in cash, property or in shares of the capital stock.

Section 2. RESERVES. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, for equalizing dividends, for repairing or maintaining any property of the corporation or for such other purpose as the directors shall think conducive to the interest of the corporation and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. ANNUAL STATEMENT. The Board of Directors shall present at each annual meeting or special meeting of the stockholders, when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

Section 4. CHECKS. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 5. FISCAL YEAR. The fiscal year of the corporation shall be the calendar year ending December 31.

Section 6. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

ARTICLE X

AMENDMENTS

These bylaws may be altered, amended or repealed or new bylaws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the certificate of incorporation, at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws is contained in the notice of such special meeting. If the power to adopt, amend or repeal bylaws is conferred upon the Board of Directors by the certificate of incorporation, it shall not divest or limit the power of the stockholders to adopt, amend or repeal bylaws.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Employment Agreement") dated as of January 1, 1999, by and among Sybarite Interactive Inc., a Delaware corporation (the "Company"), and Robert LoCascio (the "Employee").

WITNESSETH:

WHEREAS, the employee is currently employed by the Company and serves as President of the Company; and

WHEREAS, the Company desires to induce the Employee to continue in the employ of the Company for the period provided in this Agreement, and the Employee is willing to accept such employment with the Company on a full-time basis, all in accordance with the terms and conditions set forth below;

NOW, THEREFORE, for and in consideration of the premises hereof and the mutual covenants contained herein, the parties hereto hereby covenant and agree as follows:

1. EMPLOYMENT. (a) The Company hereby employs the Employee, and the Employee hereby accepts such employment with the Company, for the period set forth in Section 2 hereof, all upon the terms and conditions hereafter set forth.

(b) The Employee affirms and represents that he is under no obligation to any former employer or other party which is in any way inconsistent with, or which imposes any restriction upon, the Employee's acceptance of employment hereunder with the Company, the employment of the Employee by the Company, or the Employee's undertakings under this Agreement.

2. TERM OF EMPLOYMENT. (a) Unless (i) earlier terminated as hereinafter provided or (ii) extended as provided in Section 2 (b) below, the term of the Employee's employment under this Agreement shall be for a period beginning on the date hereof and ending on January 1, 2002 (such period from the date hereof until January 1, 2002 or, if the Employee's employment hereunder is earlier terminated or extended as provided herein, such shorter or longer period, as the case may be, being hereinafter called the "Employment Term").

(b) The Employment Term shall be extended automatically on each of January 1, 2002 and January 1, 2003 (the "Extension Date") for an additional one-year period unless the Company or Employee gives notice to the other party hereto not less than 120 days prior to the Extension Date of its or his election not to extend the Employment Term, in which event the Employment Term shall terminate on such Extension Date.

(c) In the event that the Employee continues in the full-time employ of the Company after the end of the Employment Term (it being expressly understood and agreed that the Company does not now, not hereafter shall have, any obligation to continue the Employee in

its employ whether or not on a full-time basis, after said Employment Term ends), then, unless otherwise expressly agreed to by the Employee and the Company in writing, the Employee's continued employment by the Company shall, notwithstanding anything to the contrary expressed or implied herein, be terminable by the Company at will, but shall in all other respects be subject to the terms and conditions of this Agreement.

3. DUTIES. The employee shall be employed as President of the Company, and shall perform such duties as he currently performs or such other duties as the Board of Directors of the Company shall from time to time determined, subject to the prior consent of the Employee. The Employee shall perform his duties at such places and times as the Board of Directors of the Company may reasonably prescribe. Except as may otherwise be approved in advance by the Board of Directors of the Company, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Employee shall devote his full time throughout the Employment Term to the services required of him hereunder. The Employee shall render his services exclusively to the Company during the Employment Term and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company and its subsidiaries in a manner consistent with the duties of this position.

4. SALARY AND BONUS. (a) SALARY. As compensation for the performance by the Employee of the services to be performed by the Employee hereunder during the Employment Term, the Company shall pay the Employee a base salary at the annual rate of not less than One Hundred Twenty-Five Thousand Dollars (\$125,000) (said amount, together with any incremental increases thereto as may be determined from time to time by the Board of Directors of the Company in its sole discretion, being hereinafter referred to as the "Salary"). Any Salary payable hereunder shall be paid in regular intervals in accordance with the Company's payroll practices, except as shall otherwise be mutually agreed to by the Employee and the Board of Directors of the Company.

(b) BONUS. The Employee shall also be eligible for bonus compensation up to an amount of Fifty-Thousand Dollars (\$50,000) (the "Bonus") in respect of each fiscal year (or portion thereof) occurring during the Employment Term as may be determined annually by the Board of Directors of the Company based upon the achievement of performance objectives to be determined by mutual agreement of the Employee and the Board of Directors of the Company.

(c) WITHHOLDING, ETC. The payment of any Salary and Bonus hereunder shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's the Employee benefit plans.

5. BENEFITS. During the Employment Term, the Employee shall:

(a) be eligible to participate in all the Employee fringe benefits and any pension and/or profit sharing plans that may be provided by the Company for its key executives

the Employees in accordance with the provisions of any such plans, as the same may be in effect on and after the date hereof;

(b) be eligible to participate in any medical and health plans or other the Employee welfare benefit plans that may be provided by the Company for its key executive the Employee in accordance with the provisions of any such plans, at the same may be in effect on and after the date hereof;

(c) be entitled to annual paid vacation in accordance with the Company policy that may be applicable on and after the date hereof to key the Employees.

(d) be entitled to sick leave, sick pay and disability benefits in accordance with any Company policy that may be applicable on and after the date hereof to key executive the Employees; and

(e) be entitled to reimbursement for all reasonable and necessary out-of-pocket business expenses incurred by the Employee in the performance of his duties hereunder in accordance with the Company's policies applicable (on and after the date hereof) thereto.

6. CONFIDENTIAL INFORMATION. The Company and the Employee acknowledge the provisions of the confidentiality Agreement dated as of January 8, 1999, between the Company and the Employee, the provisions of which are incorporated herein in their entirety.

7. TERMINATION. (a) The Employee's employment hereunder shall be terminated upon the occurrence of any of the following:

(i) death of the Employee;

(ii) termination of the Employee's employment hereunder by the Company because of the Employee's inability to perform his duties on account of disability or incapacity for a period of one hundred eighty (180) or more days, whether or not consecutive, occurring within any period of twelve (12) consecutive months;

(iii) termination of the Employee's employment hereunder by the Company at any time "for cause" (as defined below), such termination to take effect immediately upon written notice from the Company to the Employee;

(iv) termination of the Employee's employment hereunder by the Company at any time, other than termination by reason of disability or incapacity as contemplated by clause (ii) above or termination by the Company "for cause" as contemplated by clause (iii) above or termination by reason of liquidation, dissolution or shutdown of the business then conducted by the Company as contemplated by clause (v) below;

(v) termination of the Employee's employment hereunder by reason of the liquidation or dissolution of the Company or other shutdown of the business then

conducted by the Company other than as a result of a Change of Control (as hereinafter define); and

(vi) termination of the Employee's employment hereunder by the Employee for Good Reason (as defined below), provided, however, that the Employee shall have provided the Company written notice of his desire to terminate for Good Reason under this clause (vi) within thirty (30) days following the occurrence of the event constituting Good Reason, such termination to take effect upon not less than thirty (30) days' advance written notice by the Employee to the Company.

The following actions, failures or events by or affecting the Employee shall constitute "cause" for termination within the meaning of clause (iv) above: (i) an act or acts of dishonesty, moral turpitude or intentional felonious behavior which are materially detrimental to the Company and/or its Affiliates, (ii) failure by the Employee to obey the reasonable and lawful orders of the Board of Directors, (iii) gross negligence by the Employee in the performance of, or willful disregard by the Employee of his obligations hereunder, or (iv) a conviction of the Employee (including entry of a guilty or nolo contendere plea) of a crime involving fraud, dishonesty or moral turpitude or a felony.

The following events affecting the Employee shall constitute "Good Reason" within the meaning of clause (vi) above: (i) if the Employee, at any time during the Employment Term (except during a period of disability or incapacity as contemplated in clause (ii) or paragraph 7 above), has suffered a material change or diminution in duties and responsibilities from those contemplated under Section 3 above, (ii) if the Board of Directors of the Company shall at any time during the Employment Term reduce the Salary or Bonus to which the Employee is entitled under this Employment Agreement, (iii) if the Company shall consummate a sale of all or substantially all of its assets to a third party (other than in connection with a plan of liquidation, winding up or dissolution of the Company) and such third party shall not assume the obligations of the Company under this Employment Agreement or (iv) if the Employee shall be relocated by the Company or a successor thereto to a location outside the New York Metropolitan area.

For purposes of this Employment Agreement, a "Change of Control" shall mean the happening of any of the following:

- (A) the acquisition by any person or group deemed a person under Sections 3 (a) (9) and 13 (d) (3) of the Securities Exchange Act of 1934 (the "Exchange Act") (other than the Company and its subsidiaries as determined immediately prior to that date) of beneficial ownership, directly or indirectly (with beneficial ownership determined as provided in Rule 13d-3, or any successor rule, under the Exchange Act), of a majority of the total combined voting power of all classes of stock of the Company having the right under ordinary circumstances to vote at an election of the Board of Directors of the Company, if such person or group deemed a person was not a beneficial owner of at least five percent (5%) of such

total combined voting power of the Company on the date of this Employment Agreement (provided that the equity financing with Dawntreader L.P. and certain other investors contemplated by the letter of intent dated December 10, 1998, shall not constitute a Change of Control for purposes of this Agreement);

- (B) an action or event as a result of which either (x) a majority of the members of the Board of Directors shall consist of persons who were not members of the Board of Directors prior to such action or event or (y) the right to designate a majority of the members of the Board of Directors shall belong to a person or group (as defined under clause (A) above) that was not entitled prior to such action or event to designate a majority of the members of the Board of Directors;
- (C) the date of approval by the stockholders of the Company of an agreement providing for the merger or consolidation of the Company with another corporation or other entity where (x) stockholders of the Company immediately prior to such merger or consolidation would not beneficially own following such merger or consolidation shares entitling such stockholder to 50% or more of all votes (without consolidation of the rights of any class of stock to elect directors by a separate class vote) to which all stockholders of the surviving corporation would be entitled in the election of directors, or (y) where the members of the Board of Directors, immediately prior to such merger or consolidation, would not, immediately after such merger or consolidation, constitute a majority of the board of directors of the surviving corporation; or
- (D) the sale of all or substantially all of the assets of the Company (other than in connection with a plan of liquidation, winding up or dissolution of the Company).

(b) (1) In the event that the Employee's employment is terminated pursuant to clause (iv) or (vi) of paragraph 7 (a) above at any time during the Employment Term then, as severance pay or liquidated damages or both, the Company shall pay to the Employee the amount of (x) Salary, if any, that the Employee would have been entitled to receive pursuant to Section 4 hereof from the date of termination had the Employee's employment not been so terminated until twelve (12) months following the date of such termination and (y) the pro rata portion of Bonus, if any, the Employee would have been entitled to receive with respect to the applicable fiscal year pursuant to Section 4 up to the date of termination. Any amounts payable under clauses (x) and (y) above shall be paid by the Company in three (3) equal monthly installments, with the first installment payable within 30 days after the date of termination.

(2) Except as required by applicable law, the payments set forth in the first sentence of this paragraph 7 (b) with respect to the events of termination of employment set forth therein shall represent the entire obligation of the Company and its Affiliates to make payments

to the Employee or on his behalf upon the Employee's cessation of employment, other than (i) such amounts, if any, of his Salary and Bonus as shall have accrued and remained unpaid as of the date of said cessation and (ii) such other amounts which may be then otherwise payable to the Employee from the Company's benefits plans or reimbursement policies, if any.

(c) No interest shall accrue on or be paid with respect to any portion of any payments hereunder.

8. ASSIGNMENT. (a) Neither this Employment Agreement nor any right or interest hereunder shall be assignable by the Employee, his beneficiaries, or legal representatives without the Company's prior written consent, PROVIDED, HOWEVER, that nothing in this Section 8 (a) shall preclude the Employee from designating a beneficiary to receive any benefit payable hereunder upon his death or incapacity.

(b) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation or to exclusion, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

9. COMPETITION, ETC. During the Employee's employment by the Company and during the one (1) year period following the termination of the Employee's employment hereunder for any reason whatsoever:

(a) the employee will not make any statement or perform any act intended to advance an interest of any competitor of the Company or any of its Affiliates in any way that will or may injure an interest of the Company or any of its Affiliated in its relationship and dealings with customers or clients, or solicit or encourage any other the Employee of the Company or any of its Affiliates to do any act that is disloyal to the Company or any of its Affiliates or inconsistent with the interest of the Company or any of its Affiliate's interests or in violation of any provision of this Agreement;

(b) the Employee will not discuss with any customers or clients of the Company or any of its Affiliates the present or future availability of services or products of a competitive business, if the Employee has or expects to acquire a proprietary interest in such competitive business or is or expects to be an the Employee, officer or director of such business, where such services or products are (i) competitive with services or products which the Company or any of its Affiliates provides and (ii) available in any geographic area where the Company or any of its Affiliates presently carry on business or where any business shall be hereafter, during the period of the Employee's employment by the Company, carried on by the Company or any of its Affiliates, if such business is then being carried on by the Company or any of its Affiliates;

(c) The Employee will not directly or indirectly (as a director, officer, the Employee, manager, consultant, independent contractor, advisor or otherwise) engage in

competition with, or own or acquire any interest in, perform any services for, participate in or be connected with any business or organization which engages in competition with the Company or any of its Affiliates in any geographic area where any business is carried on presently by the Company or any of its Affiliates or where any business shall be hereafter, during the period of the Employee's employment by the Company, carried on by the Company or any of its Affiliates, if such business is then being carried on by the Company or any of its Affiliates in such geographic area, PROVIDED, HOWEVER, that the provisions of this Section 9 (c) shall not be deemed to prohibit the Employee's ownership of not more than 1% of the total shares of all classes of stock outstanding of any publicly held company; and

(d) the Employee will not directly or indirectly solicit for employment, or advise or recommend to any other person that they employ or solicit for employment, any the Employee of the Company or any of its Affiliates, PROVIDED, HOWEVER, that the Employee shall be permitted to respond to requests for references received from prospective employers with respect to any the Employee of the Company or any of its Affiliates.

For the purposes of this Agreement, the term "Affiliate" or "Affiliates" shall mean any corporation or other entity (i) which owns the Company in whole or in plurality, or which controls the Company directly or indirectly, whether through common control or otherwise, (ii) which is owned by the Company in whole or in majority, or which is controlled, directly or indirectly, by the Company or (iii) which is under the common control, directly or indirectly, of the Company and any person or entity.

For purposes of this Section 9, the Company and its Affiliates shall be deemed to be conducting business in any geographic area in which the Company or any of its Affiliates operates as a corporation principally engaged in the business of providing on-line customer support.

10. RIGHTS AND REMEDIES FOR BREACHES OF SECTION 6 AND SECTION

9. The Employee acknowledges and agrees that a remedy at law for any breach or threatened breach of the provisions of Section 6 or Section 9 would be inadequate and, therefore, agrees that the Company and any of its affiliates shall be entitled to injunctive relief in addition to any other available rights and remedies in cases of any such breach or threatened breach; PROVIDED, HOWEVER, that nothing contained herein shall be construed as prohibiting the Company or any of its Affiliates from pursuing any other rights and remedies available for any such breach or threatened breach.

11. BINDING EFFECT. Without limiting or diminishing the effect of Section 8 hereof, this Agreement shall inure to the benefit of and be binding upon the parties hereto and the Employee's respective heirs, legal representatives and assigns and the Company's successors, legal representatives and assigns.

12. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class

certified or registered mail, postage prepaid, if to the Company, at the Company's principal place of business, and if to the Employee, at this home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

13. LAW GOVERNING. This Agreement shall be governed by an construed in accordance with the laws of the State of New York.

14. SEVERABILITY. The Employee agrees that in the event that any court of competent jurisdiction shall finally hold that any provision of Section 6 or Section 9 hereof is void or constitutes an unreasonable restriction against the Employee, the provisions of such Section 6 or Section 9 shall not be rendered void but shall apply with respect to such extent as such court may judicially determined constitutes a reasonable restriction under the circumstances. If any party of this Agreement other than Section 6 or Section 9 is held by a court of competent jurisdiction to be invalid, illegible or incapable of being enforced in whole or in part by reason of any rule of law or public policy, such part shall be deemed to be severed from the remainder of this Agreement for the purpose only of the particular legal proceedings in question and all other covenants and provisions of this Agreement shall in every other respect continue in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision.

15. WAIVER. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, not shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

16. ENTIRE AGREEMENT: MODIFICATION. This Agreement constitutes the entire and final expression of the agreement of the parties with respect to the subject matter hereof and, subject to Section 6 above, supersedes all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof. This Agreement may be modified or amended only by an instrument in writing signed by both parties hereto.

17. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. TITLES AND HEADINGS. Titles and heading to Sections herein are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of any of the provisions of this Employment Agreement.

19. CO-EMPLOYMENT. The parties acknowledge and agree that the Employee may be employed by the Company through a co-employment arrangement with Ambrose Employer Group, LLC or another professional employer organization. It is the intent of the parties hereto that the terms of this Agreement are enforceable notwithstanding any such professional employer arrangement.

IN WITNESS WHEREOF, the Company and the Employee have duly executed and delivered this Employment Agreement as of the day and year first above written.

SYBARITE INTERACTIVE INC.

By: /s/ ROBERT LOCASCIO

Name and Title: Robert LoCascio, President

Employee:

/s/ ROBERT LOCASCIO

Robert LoCascio

EMPLOYMENT AGREEMENT

This Agreement made effective as of June 23, 1999 by and between LivePerson, Inc. (the "Company"), a Delaware corporation, and Timothy E. Bixby, ("Executive").

Whereas the Company wishes to retain the services of the Executive for the period and upon the terms of this Agreement and the Executive wishes to serve in the employ of the Company on a full time basis for the period and upon the terms and conditions provided in this Agreement.

Now therefore, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I

EMPLOYMENT

The company agrees to employ the Executive and the Executive agrees to be employed by the Company, for the Period of Employment as provided in Paragraph III A below and upon the terms and conditions provided in the Agreement.

SECTION II

POSITION AND RESPONSIBILITIES

During the Period of Employment the Executive agrees to serve as Chief Financial Officer and to be responsible for the typical management responsibilities expected of an officer holding such position.

SECTION III

TERMS AND DUTIES

A. PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement will commence as of the first date and shall continue until terminated as provided in this agreement.

B. DUTIES

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote his business time, attention and skill exclusively to the business and affairs of the Company. Nothing in this Agreement shall preclude the Executive from devoting time during reasonable periods required for:

- i. Serving, with prior approval of the Chief Executive Officer of the Company ("Chief Executive") as a Director or member of a committee or organization involving no conflict of interest with the Company.
- ii. Delivering lectures and fulfilling speaking obligations.

- iii. Engaging in charitable and community activities.
- iv. Investing his personal assets in business that will not violate this Agreement or require services on the part of the Executive in the operation or affairs of the companies in which those investments are made.

SECTION IV

A. COMPENSATION

For all services rendered by the Executive in any capacity during the Period of Employment, the Executive shall be compensated as follows:

i. BASE SALARY

The Company shall pay the Executive a fixed Base Salary at the rate of not less than \$140,000 per year. Base salary shall be payable according to the customary payroll practices of the Company, but in no event less frequently than once each month.

ii. ANNUAL INCENTIVE AWARDS

The Executive will be eligible for discretionary annual incentive compensation awards. The initial target annual bonus shall be \$35,000. Target bonus will be paid, if earned, by January 31st of each year of the term. The initial payment in January 2000 will be prorated for the portion of calendar 1999 during which executive is employed by the Company.

iii. LONG TERM INCENTIVE AWARDS

The Executive will be eligible for discretionary stock option awards as may be awarded by the Board of Directors. The Executive will receive an initial award of 135,000 LivePerson, Inc. stock options at an exercise price of \$1.00 per share, which, to the maximum extent, will be qualified options. These options will have a 10 year term and will vest in 25% increments, beginning on 1/1/00.

B. ADDITIONAL BENEFITS

In addition, the Executive will be entitled to participate in all employee benefit plans which any salaried employees are eligible to participate in. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans applicable to salaried employees as long as such amendment or termination is applicable to all salaried employees. The Executive will be entitled to three weeks vacation annually.

SECTION V

BUSINESS EXPENSES

The Company will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement. Executive will receive the same expense reimbursement as other senior executives of the company.

SECTION VI

DISABILITY

In the event of disability of the Executive during the Period of Employment the Company will continue to pay the Executive according to the compensation provisions of this Agreement during the period of his disability. However, in the event the Executive is disabled for a continuous period of 90 days or more, the Company may terminate the employment of the Executive and all unvested stock options held by the Executive which would have vested during the 12 months following such termination shall be deemed vested on the date of such termination and shall remain exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such options were granted. In addition, normal compensation will cease except for earned but unpaid Base Salary and Incentive Compensation Awards which would be payable in a pro-rated basis for the year in which the termination occurs. The Company will also continue the benefits described in this Agreement for 12 months subsequent to such termination.

SECTION VII

DEATH

In the event of death of the Executive during the Period of Employment the Company's obligation to make payments under this Agreement shall cease as of the date of death, except for earned but unpaid Base Salary and Incentive Compensation Awards which will be paid on a pro-rated basis for that year. All unvested options held by the executive which would have vested during the 12 months following the death shall be deemed vested on the date of death.

SECTION VIII

EFFECT OF TERMINATION OF EMPLOYMENT

- A. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge, as defined later in this Agreement, the Company will continue to pay the Executive his Base Salary for a period of two months following such Termination or Constructive Discharge. Earned but unpaid Base Salary and Incentive Compensation Awards will be paid in a lump sum at such time. The benefits described in this Agreement will continue for two months. In the event of any such Without Cause Termination or Constructive Discharge, all unvested stock options held by the Executive which would have vested during the twelve months following such termination shall continue to vest under their original vesting schedule and shall remain exercisable until the original expiration dates contained in the applicable stock option agreements pursuant to which such options were granted.
- B. If the Executive's employment terminates due to a Termination for Cause, as defined later in this Agreement, earned but unpaid Base Salary will be paid on a pro-rated basis for the year in which the termination occurs. Earned but unpaid incentive awards for any

prior years shall be payable in full, but no other payments will be made or benefits provided by the Company.

C. Upon termination of the Executive's employment other than for reasons due to death, disability, or pursuant to Paragraph A of this Section and Section XI, the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination except as expressly defined in this Agreement.

D. For this Agreement the following terms have the following meanings:

- i. "Termination for Cause" means termination of the Executive's employment by the Company upon a good faith determination by the Board of Directors, by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's serious, willful misconduct with respect to his duties under this Agreement (including but not limited to conviction for a felony or perpetration of a common law fraud) which has resulted or is likely to result in material economic damage to the Company and which, in any case, is not cured (if such is capable of being cured) within 30 days after written notice thereof to the Executive.
- ii. "Constructive Discharge" means termination of the Executive's employment by the Executive due to a failure of the Company to fulfill its obligations under this agreement in any material respect including any reduction of the Executive's Base Salary or other material change by the Company in the functions, duties or responsibilities of the position which would reduce the responsibility or scope of the position. Constructive Discharge shall also mean the removal of Robert LoCascio as President or CEO of the Company. The Executive will provide the Company a written notice which describes the circumstances being relied upon for termination with respect to the Agreement. The Company will have 30 days to remedy the situation prior to the Termination for Constructive Discharge.
- iii. "Without Cause Termination" means termination of the Executive's employment by the Company other than due to death, disability, expiration of the Period of Employment or Termination for Cause.

SECTION IX

OTHER DUTIES OF THE EXECUTIVE DURING AND AFTER THE PERIOD OF EMPLOYMENT

A. The Executive will with reasonable notice during, or after, in which case Executive will be compensated at \$100 per hour, the Period of Employment furnish information as may be in his possession and cooperate with the Company as may be reasonably requested in connection with any claims or legal action in which the Company is or may become a party.

- B. The Executive recognizes and acknowledges that all information pertaining to the software, business, clients, customers or other relationships of the Company is confidential and is a unique and valuable asset of the Company. Access to and knowledge of this information are essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or after, except to the extent reasonably necessary in performance of the duties under this Agreement, give to any person, firm, governmental agency or other entity any information concerning the affairs, business, clients, or customers of the Company except as required by law. The Executive will not make use of this type of information for his own purposes or for the benefit of any person or organization other than the Company. The Executive will use his best efforts to prevent the disclosure of this information by others. All records, memoranda, software or intellectual property whether made by the Executive or otherwise coming into his possession are confidential and will remain the property of the Company.
- C. During the Period of Employment and for a 12 month period thereafter (the "Restricted Period") the Executive will not use his status with the Company to obtain goods or services from another organization on terms that would not be available to him in the absence of his relationship to the Company.
- D. During the Restricted Period, the Executive will not make any statement or perform any acts intended to or which the Executive knew or should have known would have the effect of advancing the interest of any existing or prospective competitors of the Company or in any way injuring the interest of the Company.
- E. During the Restricted Period, the Executive, without prior express written approval by the Chief Executive, will not engage with, or directly or indirectly own or hold proprietary interest in, manage, operate, or control or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes with the business of the Company. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, or an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" shall include all subsidiaries and licensees of the Company.
- F. During the Restricted Period, the Executive, without express written approval from the Chief Executive, will not solicit any clients of the Company for any existing business of the Company.
- G. During the Restricted Period, the Executive will not solicit or induce any employee of the Company to terminate their employment with the Company, nor shall the executive during such period directly or indirectly engage, employ, compensate or cause or permit any person with which the Executive is affiliated to engage or employ any employee of the Company.

- H. The Company's obligation to make any payments after the Period of Employment shall cease upon any violation of this Section IX. The company must first provide written notice to the Executive specifying the act which has violated this Section IX, and if such violation is not cured within 15 days, if capable of being cured, than the Company will inform the Executive of its termination of its post-employment payments.
- I. The period of time during which the provisions of this Section IX shall be in effect shall be extended by the length of time during which the Executive is in breach of this section.
- J. The Executive agrees that the restrictions contained in this section IX are essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, the Company would not have entered into this Agreement.

SECTION X

INDEMNIFICATION, LITIGATION

- A. The Company will indemnify the Executive to the fullest extent permitted by the laws of Delaware in effect at that time, or the certificate of incorporation and by-laws of the company, whichever affords the greater protection to the Executive.
- B. In the event of litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, the Company shall reimburse the Executive for all reasonable costs and expenses related to the litigation or proceeding, including attorney's fees and expenses, provided that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in favor of the Executive.

SECTION XI

CHANGE IN CONTROL

In the event there is a Change in Control of the ownership of the Company, and the Executive is either terminated under a Without Cause Termination or Constructive Discharge, then the Company shall pay to the Executive a lump sum amount equal to 100% of his Annual Base Salary as in effect at the time of such termination. In addition, a) earned but unpaid Base Salary and Incentive Compensation Awards will be paid on a pro-rated basis for the year in which the termination occurs; b) any stock options granted to the Executive prior to termination will be fully vested upon termination and shall remain exercisable until the applicable expiration dates contained in the applicable stock options agreements pursuant to which such stock options were granted; and c) the benefits described in this Agreement will be continued for one year from the date of termination.

A "Change in Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for 50.1% or more of the outstanding voting securities of the Company (ii) the

Company shall be merged or consolidated with another company and as a result less than 50% of the outstanding voting securities of the surviving corporation shall be owned in the aggregate by the former shareholder of the Company, (iii) the Company shall sell substantially all of its assets to another company which is not a subsidiary of the Company, or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d) (3) of the Securities Act of 1934 shall acquire 51% or more of the outstanding voting securities of the Company.

SECTION XII

WITHHOLDING TAXES

The company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

SECTION XIII

EFFECTIVE PRIOR AGREEMENTS

This Agreement contains the entire understanding between the Company and the Executive with respect to the subject matter. Where there are conflicting provisions between this Agreement and any stock option agreements made between the Executive and the Company, the terms of this Agreement shall prevail.

SECTION XIV

CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations of the Company hereunder. Upon such a consolidation, merger or sale of assets the term "Company" as used will mean the other corporation and this Agreement shall continue in full force and effect.

SECTION XV

MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with the waiver. A waiver shall operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVI

GOVERNING LAW

This Agreement has been executed and delivered in the State of New York and its validity, interpretation, performance and enforcement shall be governed by the laws of that state.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the date just above written.

LivePerson, Inc.

/s/ Robert LoCascio

Robert LoCascio, President

/s/ Timothy E. Bixby

Timothy E. Bixby

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of March 29th, 1999, by and among Live Person, Inc., a Delaware corporation (the "Company"), and Scott Cohen (the "Employee").

WITNESSETH:

WHEREAS, the Company wishes to employ the Employee and the Employee wishes to accept such employment, and each desires to enter into an agreement to provide for the terms and conditions of such employment set forth herein;

NOW, THEREFORE, for and in consideration of the premises hereof and the mutual covenants contained herein, the parties hereto hereby covenant and agree as follows:

1. EMPLOYMENT. (a) The Company hereby employs the Employee, and the Employee hereby accepts such employment with the Company, for the period set forth in Section 2 hereof, all upon the terms and conditions hereinafter set forth.

(b) The Employee affirms and represents that the is under no obligation to any former employer or other party which is in any way inconsistent with, or which imposes any restriction upon, the Employee's acceptance of employment hereunder with the Company, the employment of the Employee by the Company, or the Employee's undertakings under this Agreement.

2. TERM OF EMPLOYMENT. (a) Unless earlier terminated as hereinafter provided in this Agreement or renewed as provided in Section 2(b) below, the Employee's employment under this Agreement shall be for a period beginning on the date hereof (the "Start Date") and ending on March 31, 2000 (the "Renewal Date"; such period from the Start Date until the Renewal Date or, if the Employee's employment hereunder is earlier terminated or extended as provided herein, such shorter or longer period, as the case may be, being hereinafter called the "Employment Term").

(b) The Employment Term shall be extended automatically on the Renewal Date for one additional one-year period, unless the Company shall have provided written notice to the Employee, not less than one hundred and twenty (120) days prior to the Renewal Date, that the Employment Term will not be extended.

(c) In the event that the Employee continues in the full-time employ of the Company after the end of the Employment Term (it being expressly understood and agreed that the Company does not now, no hereafter shall have, any obligation to continue the Employee in its employ whether or not on a full-time basis, after said Employment Term ends), then, unless otherwise expressly agreed to by the Employee and the Company in writing, the Employee's continued employment by the Company shall, notwithstanding anything to the contrary expressed or implied herein, be terminable by the Company at will, but shall in all other respects be subject to the terms and conditions of this Agreement.

3. DUTIES. The Employee shall be employed as Executive Vice President - Sales and Strategic Alliances, of the Company, shall perform such duties as are specified in the By-laws of each of the Company or such other duties as the President of the Company shall from time to time determine and shall also perform and discharge such other employment duties and responsibilities as the President of the Company may from time to time prescribe. The Employee shall report to the President of the Company, and shall perform his duties at such places and times as the President of the Company may reasonably prescribe, provided that the Employee's principal office location during the term of the Agreement shall be in the New York City Metropolitan area. Except as may otherwise be approved in advance by the President of the Company, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Employee shall devote substantially all of his working time throughout the Employment Term to the services required of him hereunder. The Employee shall render his services exclusively to the Company during the Employment Term and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company and its subsidiaries in a manner consistent with the duties of his position, provided however, that the Employee may also serve as a consulting advisor on the advisory boards or Board of Directors of certain companies if serving in such capacity such does not interfere with the services to be provided by the Employee hereunder during the Employment Term or the terms of this Agreement and provided that such activities shall be subject to the restrictions set forth in Section 10 below. The Company and the Employee acknowledge that it is their present intention the Employee shall have the opportunity to meet with the President of the Company, on a semi-annual basis at a time to be mutually agreed, to ascertain and evaluate the achievement of certain performance objectives by the Employee.

4. Compensation. (a) SALARY. As compensation for the performance by the Employee of the services to be performed by the Employee hereunder during the Employment Term, the Company shall pay the Employee a base salary at the annual rate of not less than One Hundred Eighty-Five Thousand Dollars (\$185,000) (said amount, together with any increments thereto as may be determined from time to time by the Board of Directors of the Company in its sole discretion, being hereinafter referred to as the "Salary"). Any Salary payable hereunder shall be paid in regular intervals in accordance with the Company's payroll practices.

(b) BONUS. The Employee shall also be eligible for bonus compensation (the "Bonus") in respect of each year of the Employment Term in the aggregate amount of up to \$50,000, such Bonus to be payable in cash on an annual basis in accordance with the Company's standard payroll practices, upon the achievement of semiannual performance objectives to be mutually agreed upon by the Employee and the Board of Directors of the Company. The Bonus shall be earned on a semi-annual basis and paid at the end of each 12 month period of employment.

Nothing contained herein and no action taken in respect of any Bonus (or otherwise in respect of this Section 4(b)) shall create or be construed to create a trust of any kind. The Employee's right to receive any Bonus pursuant to this Section 4(b) shall be no greater than the right of an unsecured general creditor of the Company to receive payment from the Company. Any Bonus paid under this Section 4(b) shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no segregation of assets shall be made, to assure payment of any Bonus hereunder.

(c) COMMISSIONS. The Employee shall also be entitled to receive commissions with respect to sales on the basis set forth on Schedule I annexed hereto ("Commission"). Such Commissions shall be payable on a quarterly basis in accordance with the Company's standard payroll practices.

(d) WITHHOLDING, ETC. The payment of any Salary and Bonus hereunder shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans.

(e) STOCK OPTIONS. Pursuant to the Option Agreement, the Executive shall be granted non-qualified options (the "Options") under the Sybarite Interactive Inc. Stock Option and Restricted Stock Purchase Plan (the "Plan") to purchase up to 392,640 shares of Common Stock, \$0.001 par value of the Company, which currently represents 5% of the Company's fully diluted capital stock (assuming for purposes of such calculation the exercise of all outstanding options and warrants and conversion of all convertible common equity).

5. RIGHT TO PURCHASE EQUITY SECURITIES. (a) During the Employment Term, in order to enable the Employee to maintain his fully-diluted ownership position in the Company, if the Company proposes to issue, sell or exchange, agree to issue, sell or exchange, or reserves or sets aside for issuance, sale or exchange, from and after the date hereof, (A) any equity security of the Company, (B) any debt security of the Company which by its terms is convertible into or exchangeable for any equity security of the Company or (C) any option, warrant or other right to subscribe for, purchase or otherwise acquire any equity security or any debt security referred to in clause (A) or (B) above to any person at any time, in a private capital-raising transaction or series of contractually related private capital-raising transactions (a "Dilutive Offering"), the Company shall deliver to the Employee an offer (the "Purchase Offer") to issue and sell such number of securities of the type to be issued in such Dilutive Offering to the Employee, for a purchase price not greater than the price at which securities are to be sold in such Dilutive Offering, to enable the Employee to maintain his fully-diluted ownership position in the Company that he held immediately prior to the proposed Dilutive Offering (the "Offered Securities"), upon the terms set forth in this Section 5. The Purchase Offer shall state that the Company proposes to issue such securities, specify their number, purchase price and the designations, powers, rights and preferences of such securities. The Purchase Offer shall remain open for a period of 10 days (the "Preemptive Period") from the date of its delivery unless earlier withdrawn by the Company. For purposes of this Section 5, the Employee's fully diluted ownership position shall mean the proportion that the number of shares of Common Stock issued or issuable to the Employee upon exercise of all options granted to the Employee pursuant to the Option Agreement bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities then outstanding).

(b) Employee may accept the Purchase Offer by delivering to the Company a notice (the "Purchase Notice"), within the Purchase Period. The Purchase Notice shall state the number of Offered Securities that Employee Purchaser desires to purchase. Employee shall fund such purchase at the time of the first closing of such transaction for any other parties to such transaction.

(c) Nothing in this Section 5 shall require the Company to extend a Purchase Offer to the Employee with respect to (i) the issuance or sale of options to purchase shares of Common Stock to employees, consultants and directors, as amended, (ii) securities issued in connection with an IPO or any securities issued by the Company thereafter, (iii) the issuance of securities pursuant to the conversion or exercise of currently outstanding convertible or exercisable securities, (iv) the issuance of securities in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, which involves a third party which is not affiliated with the Company or its current stockholders, (v) the issuance of securities to service providers or to financial institutions or lessors in connection with commercial or credit arrangements, equipment financings, or similar transactions, (vi) the issuance of securities, with respect to which preemptive or similar rights have been waived by the requisite percentage of financial investors necessary to waive such rights or (vii) the issuance of up to \$1.75 million in Series B Preferred Stock and warrants presently proposed by the Company to be offered to certain purchasers (the "Series B Offering"), provided, however, that the Employee shall be entitled to accept a Purchase Offer upon the first Dilutive Offering following the Series B Offering to the extent necessary to maintain an ownership position in the Company equal to five percent (5%) of the fully diluted capital stock of the Company, excluding for purposes of such calculation any additional issuances of equity securities by the Company (other than the Series B Offering) during the period beginning on the date of this Agreement and ending on the date of the Series B Offering.

6. BENEFITS. During the Employment Term, the Employee shall:

(a) be eligible to participate in all employee fringe benefits and any pension and/or profit sharing plans that may be provided by the Company for its key executive employees in accordance with the provisions of any such plans, as the same may be in effect on and after the date hereof;

(b) be eligible to participate in any medical and health plans or other employee welfare benefit plans that may be provided by the Company for its key executive employees in accordance with the provisions of any such plans, as the same may be in effect on and after the date hereof;

(c) be entitled to three weeks' paid vacation;

(d) be entitled to sick leave, sick pay and disability benefits in accordance with any Company policy that may be applicable on and after the date hereof to key executive employees; and

(e) be entitled to reimbursement for all reasonable and necessary out-of-pocket business expenses incurred by the Employee in the performance of his duties hereunder in accordance with the Company's policies applicable (on and after the date hereof) thereto.

7. INVENTIONS AND CONFIDENTIAL INFORMATION. The Company and the Employee acknowledge the provisions of the Confidentiality Agreement dated as of March 26,

1999 (the "Confidentiality Agreement"), between the Company and the Employee, the provisions of which are incorporated herein in their entirety.

8. TERMINATION. (a) The Employee's employment hereunder shall be terminated upon the occurrence of any of the following:

(i) death of the Employee;

(ii) termination of the Employee's employment hereunder by the Company because of the Employee's inability to perform his duties on account of disability or incapacity for a period of one hundred eight (180) or more days, whether or not consecutive, occurring within any period of twelve (12) consecutive months;

(iii) termination of the Employee's employment hereunder by the Company at any time for "cause" (as defined below), such termination to take effect as set forth below in this Section 8(a);

(iv) termination of Employee's employment hereunder by the Company, other than termination by reason of disability as contemplated by clause (ii) above and other than termination by the Company for "cause" as contemplated by clause (iii) above;

(v) termination of Employee's employment hereunder by Employee for Good Reason (as hereinafter defined), provided, however, that Employee shall have provided the Company written notice of his desire to terminate for Good Reason under this clause (v) within thirty (30) days following the occurrence of the event constituting Good Reason, such termination to take effect upon not less than thirty (30) days' advance written notice by Employee to the Company; and

(vi) termination of Employee's employment hereunder by reason of the liquidation or dissolution of the Company or other shutdown of the business then conducted by the Company other than as a result of a Change in Control (as hereinafter defined).

The following actions, failures or events by or affecting the Employee shall constitute "cause" for termination within the meaning of clause (iii) above: (1) conviction of having committed a felony, in which case termination shall take effect immediately upon written notice from the Company to the Employee, (2) acts of dishonesty or moral turpitude which are materially detrimental to the Company and/or its Affiliates, in which case termination shall take effect immediately upon written notice from the Company to the Employee, (3) breach by the Employee of the Confidentiality Agreement or Section 10 of this Agreement, or (4) a Curable Event of Cause (as defined below) that:

(x) in the case of the first Curable Event of Cause occurring during the Employment Term, is not remedied by the Employee within 30 business days following receipt by the Employee of notice from the Company specifying (A) the action, failure or event constituting such Curable Event of Cause and (B) the action or conduct necessary to remedy such Curable Event of Cause, or

(y) occurs subsequent to a Curable Event of Cause for which the Company has delivered a notice pursuant to clause (x) above, whether or not such previous Curable Event of Cause had been remedied, in which case termination shall take effect immediately upon written notice from the Company to the Employee.

For purposes of this Agreement, a "Curable Event of Cause" shall mean (1) failure by the Employee to obey the reasonable and lawful orders of the President and Chief Executive Officer, or (2) gross negligence by the Employee in the performance of, or willful disregard by the Employee of, his obligations hereunder.

The following events affecting Employee shall constitute "Good Reason" within the meaning of clause (v) above: (i) if Employee, at any time during the Employment Term (except during a period of disability as contemplated by clause (ii) above), shall no longer be serving in a senior executive capacity, (ii) if the Company shall consummate a sale of all or substantially all of its assets to a third party (other than in connection with a plan of liquidation, winding up or dissolution of the Company) and such third party shall not assume the obligations of the Company under this Agreement or (iii) if Robert LoCascio shall no longer be employed in the capacity of President or Chief Executive Officer of the Company.

For purposes of this Employment Agreement, a "Change of Control" shall mean the happening of any of the following:

- (A) the acquisition by any person or group deemed a person under Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") (other than the Company and its subsidiaries as determined immediately prior to that date) of beneficial ownership, directly or indirectly (with beneficial ownership determined as provided in Rule 13d-3, or any successor rule, under the Exchange Act), of a majority of the total combined voting power of all classes of stock of the Company having the right under ordinary circumstances to vote at an election of the Board of Directors of the Company, if such person or group deemed a person was not a beneficial owner of at least five percent (5%) of such total combined voting power of the company on the date of this Agreement;
- (B) the date of approval by the stockholders of the Company of an agreement providing for the merger or consolidation of the Company with another corporation or other entity where stockholders of the Company immediately prior to such merger or consolidation would not beneficially own following such merger or consolidation shares entitling such stockholders to 50% or more of all votes (without consolidation of the rights of any class of stock to elect directors by a separate class vote) to which all stockholders of the surviving corporation would be entitled in the election of directors; or

(C) the sale of all or substantially all of the assets of the Company (other than in connection with a plan of liquidation, winding up or dissolution of the Company).

(b) If Employee's employment with the Company hereunder is terminated for any reason other than as described in clauses (a)(iv) or (a)(v) above during the Employment Period, the Company shall promptly pay to Employee his Salary and Commissions that remain unpaid through the effective date of such termination, and other benefits accrued through the effective date of such termination, and Employee shall not be entitled to any other compensation or benefits from the Company under this Employment Agreement.

(c) In the event that the Employee's employment is terminated by the Company pursuant to clause (iv) of paragraph (a) above at any time during the Employment Term or by the Employee pursuant to clause (v) of paragraph (a) above, then so long as Employee shall not have breached the provisions of the Confidentiality Agreement or Section 10 of this Agreement, the Company shall pay to Employee, as severance pay or liquidated damages or both, the amount of Salary and Commissions, if any, which Employee would have otherwise been entitled to receive pursuant to Section 2(a) above for a period of four (4) months had the Employee's employment not been so terminated, such amount to be payable at regular intervals in accordance with the Company's payroll practices, PROVIDED, HOWEVER, that the severance payments payable pursuant to this paragraph (c) shall be reduced by any amounts earned by the Employee prior to the completion of the making of such severance payments as a result of his employment by any business (whether as a director, officer, employee, manager, owner, consultant, independent contractor, advisor or otherwise).

(d) Notwithstanding anything to the contrary expressed or implied herein, except as required by applicable law and except as set forth in paragraph (c) above or for payments made to Employee by the Company upon exercise of repurchase options pursuant to the Option Agreement, the Company (and its Affiliates) shall not be obligated to make any payments to the Employee or on his behalf of whatever kind or nature by reason of the Employee's cessation of employment (including, without limitation, by reason of termination of the Employee's employment by the Company for "cause"), other than (i) such amounts, if any, of his Salary as shall have accrued and remained unpaid as of the date of said cessation and (ii) such other amounts which may be then otherwise payable to the Employee from the Company's benefits plans or reimbursement policies, if any.

(e) No interest shall accrue on or be paid with respect to any portion of any payments hereunder.

9. NON-ASSIGNABILITY. (a) Neither this Agreement nor any right or interest hereunder shall be assignable by the Employee, his beneficiaries, or legal representatives without the Company's prior written consent, provided, however, that nothing in this Section 9(a) shall preclude the Employee from designating a beneficiary to receive any benefit payable hereunder upon his death or incapacity.

(b) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment,

encumbrance, charge, pledge, or hypothecation or to exclusion, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

10. COMPETITION, ETC. During the Employee's employment by the Company and during the one (1) year period following the termination of the Employee's employment hereunder for any reason whatsoever:

(a) the Employee will not make any statement or perform any act intended to advance an interest of any existing or prospective competitor of the Company or any of its Affiliates in any way that will or may injure an interest of the Company or any of its Affiliates in its relationship and dealings with existing or potential customers or clients, or solicit or encourage any other employee of the Company or any of its Affiliates to do any act that is disloyal to the Company or any of its Affiliates or inconsistent with the interest of the Company or any of its Affiliate's interests or in violation of any provision of this Agreement;

(b) the Employee will not discuss with any existing or potential customers or clients of the company or any of its Affiliates the present or future availability of services or products of a business, if the Employee has or expects to acquire a proprietary interest in such business or is or expects to be an employee, officer or director of such business, where such services or products are competitive with services or products which the Company or any of its Affiliates provides;

(c) the Employee agrees that, when the Employee has or expects to acquire a proprietary interest in, or is or expects to be made an employee, officer or director of, any existing or future business that provides or is expected to provide services or products in competition with the Company or any of its Affiliates, the Employee will immediately furnish to the Board of Directors of the Company all information that may reasonably be of assistance to the Company in acting promptly to protect its relationships with any existing or potential customers or clients with whom the Employee has had any dealings as a result of his employment by the Company or any of its Affiliates;

(d) the Employee will not make any statements or do any act intended to cause any existing or potential customers or clients of the Company or any of its affiliates to make use of the services or purchase the products of any competitive business in which the Employee has or expects to acquire a proprietary interest or in which the Employee is or expects to be made an employee, officer or director, if such services or products in any way compete with the service or products sold or provided or expected to be sold or provided by the Company or any of its Affiliates to any existing or potential customer or client;

(e) the Employee will not directly or indirectly (as a director, officer, employee, manager, consultant, independent contractor, advisor or otherwise) engage in competition with, or own any interest in, perform any services for, participate in or be connected with (i) any business or organization which engages in competition with the Company or any of its Affiliates in any geographical area where any business is presently

carried on by the Company or any of its Affiliates, or (ii) any business or organization which engages in competition with the Company or any of its Affiliates in any geographical area where any business shall be hereafter, during the period of the Employee's employment by the Company, carried on by the Company or any of its Affiliates, if such business is then being carried on by the Company or any of its Affiliates in such geographical area; PROVIDED, HOWEVER, that the provisions of this Section 10(e) shall not be deemed to prohibit the Employee's ownership of not more than 1% of the total shares of all classes of stock outstanding of any publicly held company, and

(f) except in furtherance of legitimate business interests of the Company or its Affiliates or in response to requests for personal references, the Employee will not, directly or indirectly, solicit for employment, or advise or recommend to any other person that they employ or solicit for employment, any employee or former employee of the Company or any of its Affiliates, unless at least six months have passed since such employee or former employee had been employed by the Company or any of its Affiliates.

For purposes of this Section 10, a person or entity (including without limitation, the Employee) shall be deemed to be a competitor of the Company or any of its Affiliates, or a person or entity (including, without limitation, the Employee) shall be deemed to be engaging in competition with the Company or any of its Affiliates, only if such person or entity in any way conducts, operates, carries out or engages in the business of providing on-line customer support, or such other business or businesses as the Company or any of its Affiliates may in the future conduct.

In connection with the foregoing provisions of this Section 10, the Employee represents that his experience, capabilities and circumstances are such that such provisions will not prevent him from earning a livelihood. The Employee further agrees that the limitations set forth in this Section 10 (including, without limitation, any time or territorial limitations) are reasonable and properly required for the adequate protection of the businesses of the Company and its Affiliates. It is understood and agreed that the covenants made by the Employee in this Section 10 (and in the Confidentiality Agreement) shall survive the expiration or termination of the Employment Term.

For purposes of this Agreement, the term "Affiliate" or "Affiliates" shall mean any corporation or other entity (i) which owns the Company in whole or in plurality, or which controls the Company directly or indirectly, whether through common control or otherwise, (ii) which is owned by the Company in whole or in majority, or which is controlled, directly or indirectly, by the Company or (iii) which is under the common control, directly or indirectly, of the Company and any person or entity.

The Employee acknowledges and agrees that a remedy at law for any breach or threatened breach of the provisions of this Section 10 would be inadequate and, therefore, agrees that the Company and any of its Affiliates shall be entitled to injunctive relief in addition to any other available rights and remedies in cases of such breach or threatened breach; PROVIDED, HOWEVER, that nothing contained herein shall be construed as prohibiting the Company or any of

its Affiliates from pursuing any other rights and remedies available for any such breach or threatened breach.

11. **BINDING EFFECT.** Without limiting or diminishing the effect of Section 8 hereof, (a) this Agreement shall not be assignable by Employee, (b) shall be binding upon and shall inure to the Employee and his respective heirs and (c) shall be binding upon and inure to the benefit of the Company and any successor organization which shall succeed to the Company by merger or consolidation or operation of law, or by acquisition of all or substantially all of the assets of the Company (provided that a successor by way of acquisition of assets shall have undertaken in writing to assume the obligations of the Company hereunder).

12. **NOTICES.** Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail or a recognized overnight courier service, postage prepaid, if to the Company, at the Company's principal place of business, and if to the Employee, at his home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

13. **LAW GOVERNING.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

14. **SEVERABILITY.** The Employee agrees that in the event that any court of competent jurisdiction shall finally hold that any provision of the Confidentiality Agreement or Section 10 hereof (collectively, the "Protective Provisions") is void or constitutes an unreasonable restriction against the Employee, then such provisions shall not be rendered void but shall apply with respect to such extent as such court may judicially determine constitutes a reasonable restriction under the circumstances. If any part of this Agreement other than the Protective Provisions is held by a court of competent jurisdiction to be invalid, illegible or incapable of being enforced in whole or in part by reason of any rule of law or public policy, such part shall be deemed to be severed from the remainder of this Agreement for the purpose only of the particular legal proceedings in question and all other covenants and provisions of this Agreement shall in every other respect continue in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision.

15. **WAIVER; CONSENT.** No consent or waiver, express or implied, by any party hereto or of any breach or default by any other party in the performance by the other party of its obligations hereunder shall be valid unless in writing, and no such consent or waiver shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such party hereunder. Failure on the part of any party thereto to complain of any act or failure to act of any other party hereto or to declare the other party hereto in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder. The granting of any consent or approval in any one instance by or on behalf of any party hereto shall not be construed to waive or limit the need for such consent in any other or subsequent instance.

16. **ENTIRE AGREEMENT; MODIFICATIONS.** This Agreement together with the Confidentiality Agreement and the Option Agreement constitutes the entire and final expression

of the agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof. This Agreement may be modified or amended only by an instrument in writing signed by both parties hereto.

17. DAMAGES. Nothing contained herein shall be construed to prevent the Company or the Employee from seeking and recovering from the other damages sustained by either or both of them as a result of his or its, as the case may be, breach of this Agreement. In the event that either party hereto brings suit for the collection of any damages resulting from, or the injunction of any action constituting, a breach of any of the terms or provisions of this Agreement, then the party to be found at fault shall pay all reasonable court costs and attorneys' fees of the other.

18. THIRD PARTY BENEFICIARIES. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person (other than the parties hereto and, in the case of the Employee, his heirs, personal representative(s) and/or legal representative) any rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the date just above written.

LivePerson, Inc.

/s/ Robert LoCascio

Robert LoCascio, President

/s/ Scott Cohen

Scott Cohen

SCHEDULE I

SALES AND COMMISSIONS

Employee shall be entitled to receive a commission equal to (a) in the first year of the Employment Term, ten percent (10%) of all Gross Sales during the first year of the Employment Term in excess of \$1,000,000 and (b) in the second year of the Employment Term (if any), (i) ten percent (10%) of the first \$1,000,000 of Gross Sales in excess of the amount of Gross Sales during the first year of the Employment Term (the "Clause (i) Amount") and (ii) seven and one-half percent (7.50%) of all Gross Sales in excess of the Clause (i) Amount. For purposes hereof, "Gross Sales" means all sales invoiced by the Company as a direct result of sales of the LivePerson service and any other online customer support products developed OR ACQUIRED by the Company to customers of the Company, less (x) any amounts rebated or refunded by the Company to such customers and (y) any taxes or similar surcharges payable by the Company, and provided that such Commissions shall be paid after invoices are paid by customers and collected by the Company and in accordance with the Company's standard quarterly commission policy.

EXHIBIT A
OPTION AGREEMENT

LIVE PERSON, INC.

NON-QUALIFIED STOCK OPTION AGREEMENT

March 29, 1999

Employee/Optionee: Scott Cohen
Number of shares of
Common Stock subject
to this Agreement: 392,640 shares

Pursuant to the Sybarite Interactive Inc. Stock Option and Restricted Stock Purchase Plan (the "Plan"), the Board of Directors of Sybarite Interactive Inc. (the "Company") has granted to you effective as of the date set forth in Section 1 below an option (referred to herein as the "Option" and sometimes referred to as the "Options") to purchase the number of shares of the Company's Common Stock, \$.001 par value ("Common Stock"), set forth above. Such shares (as the same may be adjusted as described in Section 13 below) are herein referred to as the "Option Shares". You are also on the date hereof entering into an Employment Agreement with the Company (the "Employment Agreement"), which incorporates by reference the provisions of this Agreement.

The Option shall constitute and be treated at all times by you and the Company as a "non-qualified stock option" for Federal income tax purposes and shall not be treated as an "incentive stock option" as defined under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code"). The terms and conditions of the Option are set out below.

1. DATE OF GRANT. The Option is granted to you as of March 29, 1999 (the "Grant Date"). -----

2. TERMINATION OF OPTION. Your right to exercise the Option (and to purchase the Option Shares) shall expire and terminate in all events on the earlier of (i) March 31, 2004 or (ii) the date provided in Section 8 below in the event you cease to be employed by the Company or any subsidiary or parent thereof.

3. OPTION PRICE. The purchase price to be paid upon the exercise of the Option is \$1.20 per share, the fair market value of a share of Common Stock (as determined by the Board of Directors of the Company) on the Grant Date (subject to adjustment as provided in Section 13 hereof).

4. VESTING PROVISIONS. (a) ORDINARY VESTING. You will not be entitled to exercise the Option (and purchase any Option Shares) prior to March 31, 2000. Commencing on March 31, 2000 (the "First Vesting Date"), provided that you shall continue to be employed by the Company at such date, you shall become entitled to exercise the Option as to 196,320 of the Option Shares and, commencing on March 31, 2001 (the "Second Vesting Date"; each of the First Vesting Date and the Second Vesting Date being hereinafter at times referred to as a

"Vesting Date"), provided that you shall continue to be employed by the Company at such date, you shall become entitled to exercise the Option as to the remaining 196,320 Option Shares. The Option Shares subject to each such exercise will be rounded to the nearest whole share. Notwithstanding the foregoing, the provisions of this Section 4 shall be subject to your continued employment on a full-time basis by the Company or any subsidiary or parent thereof on the First Vesting Date and the Second Vesting Date, respectively, and the provisions of Section 9 herein.

(b) ACCELERATED VESTING. (i) Notwithstanding paragraph 4(a), until the expiration or termination of your Option pursuant to Section 2 above or Section 8 below, you shall become entitled to exercise your Option with respect to all of the Option Shares to which you would have become entitled at the next Vesting Date (to the extent that your Option had not already become exercisable) upon the consummation of a Change of Control (as defined in the Employment Agreement), if, within ninety (90) days following the consummation of such Change of Control either (x) your employment shall have been terminated by the Company or its successor other than for "cause" in the manner described in Section 7(a)(iv) of the Employment Agreement or (y) your employment shall have been terminated by you for "Good Reason" pursuant to Section 7(a)(v) of the Employment Agreement, and in either such case such vesting shall be effective immediately upon such termination.

(ii) Notwithstanding paragraph 4(a), until the expiration or termination of your Option pursuant to Section 2 above or Section 8 below, you shall become entitled to exercise your Option with respect to 98,160 Option Shares (to the extent that your Option with respect to the First Vesting Date had not already become exercisable) if, at or prior to the First Vesting Date, there has not occurred a Change of Control and either (x) your employment shall have been terminated by the Company other than for "cause" in the manner described in Section 7(a)(iv) of the Employment Agreement or (y) your employment shall have been terminated by you for "Good Reason" pursuant to Section 7(a)(v) of the Employment Agreement, and in either such case such vesting shall be effective immediately upon such termination.

5. ADDITIONAL PROVISIONS RELATING TO EXERCISE. (a) Once you become entitled to exercise the Option (and purchase Option Shares) as provided in Section 4 hereof, such right will continue until the date on which the Option expires and terminates pursuant to Section 2 hereof.

(b) The Board of Directors of the Company, in its sole discretion, may at any time accelerate the time set forth in Section 4 at which the Option may be exercised by you with respect to any Option Shares.

6. EXERCISE OF OPTION. To exercise the Option, you must deliver a completed copy of the attached Option Exercise Form to the address indicated on the form, specifying the number of Option Shares being purchased as a result of such exercise, together with payment of the full option price for the Option Shares being purchased. Payment of the option price must be made (i) in cash or by certified or official bank check or (ii) by tendering such other consideration as may be acceptable to the Board of Directors of the Company.

7. TRANSFERABILITY OF OPTION. The Option may not be transferred by you (other than by will or the laws of descent and distribution) and may be exercised during your lifetime only by you.

8. TERMINATION OF EMPLOYMENT. Subject to the provisions of Section 9 herein: (a) In the event that you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof (A) as a result of the termination or your employment by the Company or any subsidiary or parent hereof at any time for "cause" (pursuant to Section 8(a)(iii) of the Employment Agreement) or (B) as a result of your employment not being automatically renewed as of the Renewal Date (as defined in the Employment Agreement), then the Option may only be exercised within one month after such termination, and only to the same extent that you were entitled to exercise the Option on the date your employment was so terminated and had not previously done so.

(b) In the event that you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof as a result of the termination of your employment by the Company or any subsidiary or parent thereof at any time other than for "cause" (pursuant to Section 8(a)(iv) of the Employment Agreement) or by you for "Good Reason" (pursuant to Section 8(a)(v) of the Employment Agreement) the Option may only be exercised within three months after the date you cease to be so employed, and only to the same extent that you were entitled to exercise the Option on the date you ceased to be so employed by reason of such termination and had not previously done so.

(c) In the event that you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof by reason of a "disability" (within the meaning of Section 22(e)(3) of the Code and pursuant to Section 8(a)(ii) of the Employment Agreement), the Option may only be exercised within three months after the date you cease to be so employed, and only to the same extent that you were entitled to exercise the Option on the date you ceased to be so employed by reason of such disability and had not previously done so.

(d) In the event that you die while employed by the Company or any subsidiary or parent thereof (or (i) within a period of one month after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 8(a) above, (ii) within a period of three months after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 8(b) above or (iii) within a period of one year after ceasing to be employed by the Company for any reason described in Section 8(c) hereof), the Option may only be exercised within one year after your death. In such event, the Option may be exercised during such one-year period by the executors or administrator of your estate or by any person who shall have acquired the Option through bequest or inheritance, but only to the same extent that you were entitled to exercise the Option immediately prior to the time of your death and you had not previously done so.

(e) Notwithstanding any provision contained in this Section 8 to the contrary, in no event may the Option be exercised to any extent by anyone after March 31, 2004.

9. COMPANY'S RIGHTS AND OPTION TO REPURCHASE OPTION SHARES UPON TERMINATION OF EMPLOYMENT. (a) (i) In the event that you cease to be employed by the Company or any subsidiary or parent thereof on a full-time basis (x) at any time, upon your death or on account of a disability pursuant to Section 8(a)(ii) of the Employment Agreement, at any time prior to the date on which an underwritten public offering of the Company's Common Stock, registered under the Securities Act of 1933, as amended (the "Securities Act") (a "Public Offering"), has

been consummated, or (y) on or before the earlier to occur of August 31, 1999 and the consummation of a Public Offering, as a result of termination by the Company as described in Section 8(a)(iv) of the Employment Agreement or termination for Good Reason pursuant to Section 8(a)(v) of the Employment Agreement, then, with respect to all Options which have vested, the Company shall have the right and option, but not the obligation, to purchase from you (or in the case of your death, your legal representative) any or all of the Option Shares (i) held by you on the date you cease to be so employed by the Company or (ii) purchased by you after such date as permitted by Section 8 above (the "Clause (i) Repurchase Right"). In the event that the Company exercises the Clause (i) Repurchase Right, the Company shall pay to you as the purchase price for such Option Shares an amount per share equal to the fair market value thereof as of the date you ceased to be employed by the Company or any subsidiary of parent thereof, such fair market value to be determined by the Board of Directors of the Company.

(ii) In the event that you cease to be employed by the Company or any subsidiary or parent thereof on a full-time basis as a result of the termination of your employment by the Company for "cause" pursuant to Section 8(a)(iii) of the Employment Agreement or by you other than for a reason described in clause (a)(i) above, at any time prior to the date on which a Public Offering has been consummated, then, with respect to all Options which have vested, the Company shall have the right and option, but not the obligation, to purchase from you (or in the case of your death, your legal representative) any or all of such Option Shares (i) held by you on the date you cease to be so employed by the Company or (ii) purchased by you after such date as permitted by Section 8 (the "Clause (ii) Repurchase Right"; the Clause (i) Repurchase Right and the Clause (ii) Repurchase Right are each hereinafter referred to as the "Repurchase Right"). In the event that the Company exercises its Clause (ii) Repurchase Right, the Company shall pay to you as the purchase price for such Option Shares an amount per share equal to \$1.20 per share.

(b) The Company may exercise its Repurchase right above by giving you (or, in the case of your death, your legal representative) a written notice of election to purchase at any time within 60 days after the date your employment ceases, which notice of election shall specify the number of Option Shares to be purchased and the purchase price for such Option Shares. The closing for the purchase by the Company of such Option Shares pursuant to the provisions of this Section 9 (the "Purchase Date") will take place at the offices of the Company on the date specified in such written notice, which date shall be a business day not later than 60 days after the date such notice is given. At such closing, you will deliver such Option Shares, duly endorsed for transfer, against payment in cash of the purchase price thereof. To the extent the Company chooses not to exercise Repurchase Right under this Section 9 to purchase any of such Option Shares, such Shares shall thereafter cease to be subject to the provisions of this Agreement.

10. RIGHT OF FIRST REFUSAL ON DISPOSITIONS. (a) If at any time you desire to sell for cash any or all of the Option Shares pursuant to a bona fide offer from a third party other than the Company (the "Proposed Transferee"), you shall submit a written offer (the "Offer") to sell such Option Shares (the "Offered Shares") to the Company on terms and conditions, including price, not less favorable than those on which you propose to sell such Offered Shares to the Proposed Transferee. The Offer shall disclose the identity of the Proposed Transferee, the Offered Shares proposed to be sold, the terms and conditions, including price, of the proposed sale, and any other material facts relating to the proposed sale. The Offer shall further state that the Company

may acquire, in accordance with the provisions of this Agreement, all or any portion of the Offered Shares for the price and upon the other terms and conditions, including deferred payment (if applicable), set forth therein.

(b) If the Company desires to purchase all or any part of the Offered Shares, the Company shall communicate to you in writing its election to purchase, which communication shall state the number of Offered Shares the Company desires to purchase and shall be delivered in person or mailed to you within ten days of the date of the Offer. Such communication shall, when taken in conjunction with the Offer, be deemed to constitute a valid, binding and enforceable agreement for the sale and purchase of the Offered Shares. The closing for the purchase by the Company of such Offered Shares pursuant to the provisions of this Section 10 shall take place at the offices of the Company on the date specified in the Company's written notice to you which date shall be a business day not later than 60 days after the date the Offer is received by the Company. At such closing, you will deliver to the Company a certificate or certificates evidencing the Offered Shares (or any portion thereof) to be purchased by it, duly endorsed for transfer to the Company, against payment to you of the purchase price therefor by the Company.

(c) If the company does not purchase all of the Offered Shares, the Offered Shares not so purchased may be sold by you at any time within six (6) months after the date the Offer was made. Any such sale shall be to the Proposed Transferee, at not less than the price and upon other terms and conditions, if any, not more favorable to the Proposed Transferee than those specified in the Offer. Any Offered Shares not sold within such six-month period shall continue to be subject to the requirements of this Section 10. If Offered Shares are sold pursuant to this Section 10, the Offered Shares so sold shall no longer be subject to this Agreement.

11. REPRESENTATIONS. (a) You represent and warrant to the Company that, upon exercise of the Option, you will be acquiring the Option Shares for your own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, and you understand that (i) neither the Option nor the Option Shares have been registered with the Securities and Exchange Commission by reason of their issuance in a transaction exempt from the registration requirements and (ii) the Option Shares must be held indefinitely by you unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration. The stock certificates for any Option Shares issued to you will bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR ANY EXEMPTION FROM REGISTRATION IS AVAILABLE.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND MAY NOT BE SOLD, EXCHANGED, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT

IN ACCORDANCE WITH AND SUBJECT TO ALL THE TERMS AND CONDITIONS OF A CERTAIN OPTION AGREEMENT DATED AS OF MARCH , 1999, A COPY OF WHICH THE COMPANY WILL FURNISH TO THE HOLDER OF THIS CERTIFICATE UPON REQUEST AND WITHOUT CHARGE.

(b) You further represent and warrant that you understand the Federal, state and local income tax consequences of the granting of the Option to you, the acquisition of rights to exercise the Option with respect to any Option Shares, the exercise of the Option and purchase of Option Shares, and the subsequent sale or other disposition of any Option Shares. In addition, you understand that the Company will be required to withhold Federal, state or local taxes in respect of any compensation income realized by you as a result of any "disqualifying disposition" of any Option Shares acquired upon exercise of the Option granted thereunder. To the extent that the Company is required to withhold any such taxes as a result of any such "disqualifying disposition", you hereby agree that the Company may deduct from any payments of any kind otherwise due to you an amount equal to the total Federal, state and local taxes required to be so withheld, or if such payments are inadequate to satisfy such Federal, state and local taxes, or if no such payments are due or to become due to you, then you agree to provide the Company with cash funds or make other arrangements satisfactory to the Company regarding such payment. It is understood that all matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Board of Directors of the Company in its sole discretion.

12. NOTICE OF SALE. You agree to give the Company prompt notice of any sale or other disposition of any Option Shares that occurs (i) within two years from the date of the granting of the Option to you, or (ii) within one year after the transfer of such Option Shares to you upon the exercise of the Option

13. ADJUSTMENTS; REORGANIZATION, RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE. (a) In the event that, after the date hereof, the outstanding shares of the Company's Common Stock shall be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation through reorganization, merger or consolidation, recapitalization, reclassification, stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Common Stock, the Board of Directors of the Company shall appropriately adjust the number of shares of Common Stock (and the option price per share) subject to the unexercised portion of the Option (to the nearest possible full share), and such adjustment shall be effective and binding for all purposes of this Agreement and the Plan, subject in all cases to the limitations of Section 424 of the Code.

(b) If any capital reorganization or reclassification of the capital stock of the Company or any consolidation or merger of the Company with another entity, or the sale of all or substantially all its assets to another entity, shall be effected after the date hereof in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then you shall thereafter have the right to purchase, upon the exercise of the Option in accordance with the terms and conditions specified in this

Agreement and in lieu of the shares of Common Stock immediately theretofore receivable upon the exercise of the Option, such shares of stock, securities or assets (including, without limitation, cash) as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore so receivable and such reorganization, reclassification, consolidation, merger or sale not taken place.

14. CONTINUATION OF EMPLOYMENT. Neither the plan nor the Option shall confer upon you any right to continued in the employ of the Company or any subsidiary or parent thereof, or limit in any respect the right of the Company or any subsidiary or parent thereof to terminate your employment or other relationship with the Company or any subsidiary or parent thereof, as the case may be, at any time.

15. PLAN DOCUMENTS. This Agreement is qualified in its entirety by reference to the provisions of the Plan applicable to "Non-Qualified Options" as described in Treasury Regulation 1.83-7 or any successor regulation thereto, which are hereby incorporated herein by reference.

16. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. If any one or more provisions of this Agreement shall be found to be illegal or unenforceable in any respect, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Please acknowledge receipt of this Agreement by signing the enclosed copy of this Agreement in the space provided below and returning it promptly to the Secretary of the Company.

LIVE PERSON, INC.

By /s/ Robert LoCascio

Robert LoCascio
President and Chief Executive Officer

Accepted and Agreed:

/s/ Scott Cohen

Scott Cohen

EMPLOYMENT AGREEMENT

This Agreement made effective as of January 3, 2000 by and between LivePerson, Inc. (the "Company"), a Delaware corporation, and James Reagan, ("Executive").

Whereas the Company wishes to retain the services of the Executive for the period and upon the terms of this Agreement and the Executive wishes to serve in the employ of the Company on a full time basis for the period and upon the terms and conditions provided in this Agreement.

Now therefore, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION I

EMPLOYMENT

The company agrees to employ the Executive and the Executive agrees to be employed by the Company, for the Period of Employment as provided in Paragraph III A below and upon the terms and conditions provided in the Agreement.

SECTION II

POSITION AND RESPONSIBILITIES

During the Period of Employment the Executive agrees to serve as Chief Technology Officer and to be responsible for the typical management responsibilities expected of an officer holding such position.

SECTION III

TERMS AND DUTIES

A. PERIOD OF EMPLOYMENT

The period of the Executive's employment under this Agreement will commence as of the first date and shall continue for 3 years unless terminated as provided in this agreement.

B. DUTIES

During the Period of Employment and except for illness, incapacity or any reasonable vacation periods in any calendar year, the Executive shall devote his business time, attention and skill exclusively to the business and affairs of the Company.

SECTION IV

A. COMPENSATION

For all services rendered by the Executive in any capacity during the Period of Employment, the Executive shall be compensated as follows:

i. BASE SALARY

The Company shall pay the Executive a fixed Base Salary at the rate of not less than \$165,000 per year. Base salary shall be payable according to the customary payroll practices of the Company.

ii. ANNUAL INCENTIVE AWARDS

The Executive will be eligible for discretionary annual incentive compensation awards. The initial target annual bonus shall be \$40,000, half of which will be paid in advance with Executive's first pay check.

iii. LONG TERM INCENTIVE AWARDS

The Executive will be eligible for discretionary stock option awards as may be awarded by the Board of Directors.

iv. UP-FRONT PAYMENT

The Company shall pay the Executive an upfront payment of \$20,000.

v. REIMBURSEMENT FOR MOVING

The Company will reimburse the Executive for up to \$30,000 for documented moving expenses incurred in his move to the New York area.

B. ADDITIONAL BENEFITS

In addition, the Executive will be entitled to participate in all employee benefit plans which any salaried employees are eligible to participate in. Nothing in this Agreement will preclude the Company from amending or terminating any of the plans applicable to salaried employees as long as such amendment or termination is applicable to all salaried employees. The Executive will be entitled to three weeks vacation annually.

SECTION V

BUSINESS EXPENSES

Upon presentation of appropriate documentation, the Company will reimburse the Executive for all reasonable travel and other expenses incurred by the Executive in connection with the performance of his duties and obligations under this Agreement.

SECTION VI

DISABILITY

In the event of disability of the Executive during the Period of Employment the Company will continue to pay the Executive according to the compensation provisions of this Agreement during the period of his disability. However, in the event the Executive is disabled for a continuous period of 90 days or more, the Company may terminate the employment of the Executive and all unvested stock options held by the Executive which would have vested during the 12 months following such termination shall be deemed vested on the date of such termination and shall remain exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such options were granted. In addition, normal compensation will cease except for earned but unpaid Base Salary and Incentive Compensation Awards which would be payable in a pro-rated basis for the year in which the termination occurs. The Company will also continue the benefits described in this Agreement for 12 months subsequent to such termination.

SECTION VII

DEATH

In the event of death of the Executive during the Period of Employment the Company's obligation to make payments under this Agreement shall cease as of the date of death, except for earned but unpaid Base Salary. All unvested options held by the executive which would have vested during the 12 months following the death shall be deemed vested on the date of death.

SECTION VIII

EFFECT OF TERMINATION OF EMPLOYMENT

- A. If the Executive's employment terminates due to a Without Cause Termination as defined later in this Agreement, Company will continue to pay the Executive his Base Salary for a period of four months following such Termination. The benefits described in this Agreement will continue for four months. In the event of any such Without Cause Termination, all unvested stock options held by the Executive which would have vested during the twelve months following such termination shall continue to vest under their original vesting schedule and shall remain exercisable until the original expiration dates contained in the applicable stock option agreements pursuant to which such options were granted.
- B. If the Executive's employment Terminates for Cause, as defined later in this Agreement, earned but unpaid Base Salary will be paid on a pro-rated basis for the year in which the termination occurs. Earned but unpaid incentive awards for any prior years shall be payable in full, but no other payments will be made or benefits provided by the Company.

C. Upon termination of the Executive's employment other than for reasons due to death, disability, or pursuant to Paragraph A of this Section and Section XI, the Period of Employment and the Company's obligation to make payments under this Agreement will cease as of the date of the termination except as expressly defined in this Agreement.

D. For this Agreement the following meanings:

- i. "Termination for Cause" means termination of the Executive's employment by the Company upon a good faith determination by the Company, by written notice to the Executive specifying the event relied upon for such termination, due to the Executive's serious, willful misconduct or gross negligence with respect to his duties under this Agreement (including but not limited to conviction for a felony or perpetration of a common law fraud) which has resulted or is likely to result in economic damage to the Company and which, in any case, is not cured (if such is capable of being cured) within 30 days after written notice thereof to the Executive.
- ii. "Without Cause Termination" means termination of the Executive's employment by the Company other than due to death, disability, expiration of the Period of Employment or Termination for Cause.

SECTION IX

OTHER DUTIES OF THE EXECUTIVE DURING AND AFTER THE PERIOD OF EMPLOYMENT

- A. The Executive will with reasonable notice during, or after the Period of Employment furnish information as may be in his possession and cooperate with the Company as may be reasonably requested in connection with any claims or legal action in which the Company is or may become a party.
- B. The Executive recognizes and acknowledges that all information pertaining to the software, business, clients, customers or other relationship of the Company is confidential and is a unique and valuable asset of the Company. Access to and knowledge of this information are essential to the performance of the Executive's duties under this Agreement. The Executive will not during the Period of Employment or after, except to the extent reasonably necessary in performance of the duties under this Agreement, give to any person, firm, governmental agency or other entity any information concerning the affairs, business, clients, or customers of the Company except as required by law. The Executive will not make use of this type of information for his own purposes or for the benefit of any person or organization other than the Company. The Executive will use his best efforts to prevent the disclosure of this information by others. All records, memoranda, software or intellectual property whether made by the Executive or otherwise coming into his possession are confidential and will remain the property of the Company.

- C. During the Period of Employing and for a 12 month period thereafter (the "Restricted Period") the Executive will not use his status with the Company to obtain goods or services from another organization on terms that would not be available to him in the absence of his relationship to the Company.
- D. During the Restricted Period, the Executive will not make any statement or perform any acts intended to or which may have the effect of advancing the interest of any existing or prospective competitors of the Company or in any way injuring the interest of the Company.
- E. During the Restricted Period, the Executive, without prior express written approval by the Chief Executive, will not engage in, or directly or indirectly own or hold proprietary interest in, manage, operate, or control or join or participate in the ownership, management, operation or control of, or furnish any capital to or be connected in any manner with, any party which competes with the business of the Company. For the purposes of this Agreement, proprietary interest means legal or equitable ownership, whether through stock holding or otherwise, or an equity interest in a business, firm or entity or ownership of more than 5% of any class of equity interest in a publicly-held company and the term "affiliate" shall include all subsidiaries and licensees of the Company.
- F. During the Restricted Period, the Executive, without express written approval from the Chief Executive, will not solicit any clients of the Company for any existing business of the Company.
- G. During the Restricted Period, the Executive will not solicit or induce any employee of the Company to terminate their employment with the Company, nor shall the executive during such period directly or indirectly engage, employ, compensate or permit any person with which the Executive is affiliated to engage or employ any employee of the Company.
- H. The Company's obligation to make any payments after the Period of Employment shall cease upon any violation of this Section IX. The company must first provide written notice to the Executive specifying the act which has violated this Section IX, and if such violation is not cured within 15 days, if capable of being cured, than the Company will inform the Executive of its termination of its post-employment payments.
- I. The period of time during which the provisions of this Section IX shall be in effect shall be extended by the length of time during which the Executive is in breach of this section.
- J. The Executive agrees that the restrictions contained in this section IX are an essential element of the compensation the Executive is granted hereunder and but for the Executive's agreement to comply with such restrictions, the Company would not have entered into this Agreement.

SECTION X

INDEMNIFICATION, LITIGATION

- A. The Company will indemnify the Executive to the fullest extent permitted by the laws of Delaware in effect at that time, or the certificate of incorporation and by-laws of the company, whichever affords the greater protection to the Executive.
- B. In the event of litigation or other proceeding between the Company and the Executive with respect to the subject matter of this Agreement, the Company shall reimburse the Executive for all reasonable costs and expenses related to the litigation or proceeding, including attorney's fees and expenses, provided that the litigation or proceeding results in either settlement requiring the Company to make a payment to the Executive or judgment in favor of the Executive.

SECTION XI

CHANGE IN CONTROL

In the event there is a Change in Control of the ownership of the Company, and within 24 months of such Change in Control, the Executive is terminated under a Without Cause Termination, then the Company shall pay to the Executive a lump sum amount equal to 66.6% of his Annual Base Salary as in effect at the time of such termination. In addition, a) any stock options granted to the Executive prior to termination that would vest in the 24 months following such termination will be fully vested upon termination and shall remain exercisable until the applicable expiration dates contained in the applicable stock options agreements pursuant to which such stock options were granted; and b) the benefits described in this Agreement will be continued for eight months from the date of termination.

A "Change in Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for 50.1% or more of the outstanding voting securities of the Company (ii) the Company shall be merged or consolidated with another company and as a result less than 50% of the outstanding voting securities of the surviving corporation shall be owned in the aggregate by the former shareholder of the Company, (iii) the Company shall sell substantially all of its assets to another company which is not a subsidiary of the Company, or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d) (3) of the Securities Act of 1934 shall acquire 51% or more of the outstanding voting securities of the Company.

SECTION XII

WITHHOLDING TAXES

The company may directly or indirectly withhold from any payments under this Agreement all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation.

SECTION XIII

EFFECTIVE PRIOR AGREEMENTS

This Agreement contains the entire understanding between the Company and the Executive with respect to the subject matter. Where there are conflicting provisions between this Agreement and any stock option agreements made between the Executive and the Company, the terms of this Agreement shall prevail.

SECTION XIV

CONSOLIDATION, MERGER OR SALE OF ASSETS

Nothing in this Agreement shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Agreement and all obligations of the Company hereunder. Upon such a consolidation, merger or sale of assets the term "Company" as used will mean the other corporation and this Agreement shall continue in full force and effect.

SECTION XV

NO OTHER AGREEMENTS

The Executive represents that he is not bound by any other employment agreement or other covenants that would restrict him from entering into this agreement.

SECTION XVI

MODIFICATION

This Agreement may not be modified or amended except in writing signed by the parties. No term or condition of this Agreement will be deemed to have been waived except in writing by the party charged with the waiver. A waiver shall operate only as to the specific term or condition waived and will not constitute a waiver for the future or act on anything other than that which is specifically waived.

SECTION XVII

GOVERNING LAW

This Agreement has been executed and delivered in the State of New York and its validity, interpretation, performance and enforcement shall be governed by the laws of that state.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the date just above written.

LivePerson, Inc.

/s/ Robert LoCascio

Robert LoCascio, President

/s/ James Reagan

James Reagan

CONSENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Live Person, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the Prospectus.

/s/ KPMG

New York, New York
January 28, 2000