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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

or

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

For the transition period from __________ to __________

Commission File No. 001-34628

QuinStreet, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**77-05121** **(IRS Employer Identification No.)**
1051 East Hillsdale Blvd., Suite 800 **(Address of principal executive offices)**	**94404** **(Zip Code)**

650-578-7700
Registrant's Telephone Number, Including Area Code

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of May 10, 2010, there were 45,063,081 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUINSTREET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2010	June 30, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 175,318	$ 25,182
Accounts receivable, net	47,334	33,283
Deferred tax assets	5,531	5,543
Prepaid expenses and other assets	8,322	1,228
Total current assets	236,505	65,236
Property and equipment, net	5,351	4,741
Goodwill	145,803	106,744
Other intangible assets, net	45,824	33,990
Deferred tax assets, noncurrent	—	1,525
Other assets, noncurrent	684	642
Total assets	$ 434,167	$ 212,878
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 19,019	$ 13,408
Accrued liabilities	28,011	21,794
Deferred revenue	1,257	718
Debt	18,096	12,890
Total current liabilities	66,383	48,810
Deferred revenue, noncurrent	370	820
Debt, noncurrent	84,636	44,350
Other liabilities, noncurrent	2,405	2,309
Total liabilities	153,794	96,289
Commitments and contingencies (Note 9)		
Convertible preferred stock: $0.001 par value; 5,000,000 and 30,000,000 shares authorized; 0 and 21,176,533 shares issued and outstanding at March 31, 2010 and June 30, 2009, respectively; liquidation value of $0 and $69,564 at March 31, 2010 and June 30, 2009, respectively	—	43,403
Stockholders' equity		
Common stock: $0.001 par value; 100,000,000 and 45,000,000 shares authorized; 47,237,175 and 15,413,000 shares issued, and 45,059,723 and 13,315,348 shares outstanding at March 31, 2010 and June 30, 2009, respectively	47	15
Additional paid-in capital	214,331	20,634
Treasury stock, at cost (2,177,452 and 2,097,652 shares at March 31, 2010 and June 30, 2009, respectively)	(7,779)	(7,064)
Accumulated other comprehensive income	21	21
Retained earnings	73,753	59,580
Total stockholders' equity	280,373	73,186
Total liabilities, convertible preferred stock and stockholders' equity	$ 434,167	$ 212,878

See accompanying notes to condensed consolidated financial statements.

QUINSTREET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Net revenue	$ 90,773	$ 69,813	$ 246,288	$ 192,726
Cost of revenue (1)	66,268	46,780	177,872	135,030
Gross profit	24,505	23,033	68,416	57,696
Operating expenses: (1)				
Product development	5,325	3,512	14,534	10,992
Sales and marketing	4,575	3,594	12,190	12,017
General and administrative	4,467	2,865	14,111	9,772
Operating income	10,138	13,062	27,581	24,915
Interest income	16	44	33	221
Interest expense	(1,302)	(879)	(2,931)	(2,749)
Other income (expense), net	(64)	(16)	221	(256)
Income before income taxes	8,788	12,211	24,904	22,131
Provision for taxes	(3,538)	(5,818)	(10,731)	(10,084)
Net income	$ 5,250	$ 6,393	$ 14,173	$ 12,047
Net income attributable to common stockholders				
Basic	$ 3,714	$ 2,150	$ 6,371	$ 3,697
Diluted	$ 3,797	$ 2,301	$ 6,790	$ 3,981
Net income per share attributable to common stockholders				
Basic	$ 0.12	$ 0.16	$ 0.33	$ 0.28
Diluted	$ 0.11	$ 0.15	$ 0.31	$ 0.26
Weighted average shares used in computing net income per share attributable to common stockholders				
Basic	30,795	13,297	19,156	13,287
Diluted	33,938	14,890	22,008	15,032

(1) Cost of revenue and operating expenses include stock-based compensation expense as follows:

Cost of revenue	$ 653	$ 470	$ 2,143	$ 1,477
Product development	686	176	1,570	494
Sales and marketing	1,163	455	2,504	1,352
General and administrative	624	373	4,002	1,061

See accompanying notes to condensed consolidated financial statements.

QUINSTREET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended March 31, 2010	Nine Months Ended March 31, 2009
Cash flows from operating activities		
Net income	$ 14,173	$ 12,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,678	12,386
Provision for sales returns and doubtful accounts receivable	(234)	1,363
Stock-based compensation	10,219	4,384
Excess tax benefits from exercise of stock options	(1,821)	(362)
Other non-cash adjustments, net	567	560
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(11,261)	(6,463)
Prepaid expenses and other assets	(5,251)	386
Other assets, noncurrent	(22)	332
Deferred tax assets	(123)	18
Accounts payable	4,338	5,643
Accrued liabilities	5,635	(3,722)
Deferred revenue	(57)	(627)
Deferred tax liabilities	134	—
Other liabilities, noncurrent	(12)	(43)
Net cash provided by operating activities	29,963	25,902
Cash flows from investing activities		
Restricted cash	15	711
Proceeds from sales of property and equipment	52	—
Capital expenditures	(2,159)	(1,276)
Business acquisitions, net of notes payable and cash acquired	(52,899)	(19,808)
Internal software development costs	(1,009)	(813)
Proceeds from sales and maturities of marketable securities	—	2,302
Net cash used in investing activities	(56,000)	(18,884)
Cash flows from financing activities		
Net proceeds from issuance of common stock	138,076	—
Proceeds from exercise of common stock options	1,550	300
Proceeds from bank debt	43,300	8,607
Principal payments on bank debt	(2,250)	(2,750)
Principal payments on acquisition-related notes payable	(5,609)	(6,764)
Excess tax benefits from exercise of stock options	1,821	362
Repurchases of common stock	(715)	(1,369)
Net cash provided by (used in) financing activities	176,173	(1,614)
Effect of exchange rate changes on cash and cash equivalents	—	(20)
Net increase in cash and cash equivalents	150,136	5,384
Cash and cash equivalents at beginning of period	25,182	24,953
Cash and cash equivalents at end of period	$ 175,318	$ 30,337
Supplemental disclosure of noncash investing and financing activities		
Accrued stock issuance costs	1,273	—
Notes payable issued in connection with business acquisitions	10,750	5,891

See accompanying notes to condensed consolidated financial statements.

QUINSTREET, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)
(Unaudited)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

QuinStreet, Inc. (the "Company") is an online media and marketing company. The Company was incorporated in California on April 16, 1999 and reincorporated in Delaware on December 31, 2009. The Company provides vertically oriented customer acquisition programs for its clients. The Company also provides hosted solutions for direct selling companies. The corporate headquarters are located in Foster City, California, with offices in Arkansas, Connecticut, Massachusetts, Nevada, New York, North Carolina, Oklahoma, Oregon, India and the United Kingdom.

Initial Public Offering

In connection with the Company's reincorporation in Delaware in December 2009, the Company increased its authorized number of shares of common and preferred stock to 50,500,000 and 35,500,000, respectively, and established the par value of each share of common and preferred stock to be $0.001. The previously outstanding 5,367,756 shares of Series A convertible preferred stock were converted on a two-for-one basis into 10,735,512 shares of Series A convertible preferred stock of the reincorporated company. Conversion, dividend and liquidation rights of Series A convertible preferred stock were adjusted consistent with the conversion. Common stock and additional paid-in capital amounts in these financial statements have been adjusted to reflect the par value of common stock.

In February 2010, the Company completed an initial public offering ("IPO") of its common stock in which it sold and issued 10,000,000 shares of common stock at an issue price of $15.00 per share. A total of $150,000 in gross proceeds were raised from the IPO or $136,803 in net proceeds after deducting underwriting discounts and commissions of $10,500 and other offering costs of $2,697. As of March 31, 2010, $1,273 of offering costs remained unpaid and these costs are expected to be paid in the Company's fourth fiscal quarter. Upon the closing of the offering, all shares of the Company's then-outstanding convertible preferred stock automatically converted into 21,176,533 shares of common stock.

After the completion of the IPO in February 2010, the Company amended its certificate of incorporation and increased its authorized number of shares of common stock to 100,000,000 and reduced the authorized number of shares of preferred stock to 5,000,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Unaudited Interim Financial Information

The accompanying condensed consolidated financial statements and the notes to the condensed consolidated financial statements as of March 31, 2010 and for the three and nine months ended March 31, 2010 and 2009 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended, with the SEC on February 11, 2010. The condensed consolidated balance sheet as of June 30, 2009 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by GAAP.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the Company's condensed consolidated balance sheet at March 31, 2010, its condensed consolidated statements of operations for the three and nine months ended March 31, 2010 and 2009, and its condensed consolidated statements of cash flows for the nine months ended March 31, 2010 and 2009. The results of operations for the three and nine months ended March 31, 2010 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2010 or any other future period.

Use of Estimates

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

Foreign Currency Translation

The Company's foreign operations are subject to exchange rate fluctuations. The majority of the Company's sales is denominated in U.S. dollars. The functional currency for the majority of the Company's foreign subsidiaries is the U.S. dollar. For these subsidiaries, assets and liabilities denominated in foreign currency are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and historical exchange rates for nonmonetary assets and liabilities. Net revenue, cost of revenue and expenses are generally remeasured at average exchange rates in effect during each period. Gains and losses from foreign currency remeasurement are included in net earnings. Certain foreign subsidiaries designate the local currency as their functional currency. For those subsidiaries, the assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at average exchange rates for the period. The foreign currency translation adjustments are included in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. Foreign currency transaction gains or losses are recorded in other income (expense), net.

QUINSTREET, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(In thousands, except share and per share data)
(Unaudited)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with financial institutions that management believes are creditworthy. The deposits exceed federally insured amounts. To date, the Company has not experienced any losses of its deposits of cash and cash equivalents.

The Company's accounts receivable are derived from clients located principally in the United States. The Company performs ongoing credit evaluation of its clients, does not require collateral, and maintains allowances for potential credit losses on client accounts when deemed necessary. To date, such losses have been within management's expectations.

One client accounted for 18% of total revenue for the three months ended March 31, 2009 and 10% and 19% for the nine months ended March 31, 2010 and 2009, respectively. No client accounted for 10% or more of the net accounts receivable as of March 31, 2010 and June 30, 2009, respectively.

Revenue Recognition

The Company derives its revenue from two sources: Direct Marketing Services ("DMS") and Direct Selling Services ("DSS"). DMS revenue, which constituted 99% of net revenue for each of the three and nine months ended March 31, 2010 and 2009, is derived primarily from fees which are earned through the delivery of qualified leads or clicks. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured. Delivery is deemed to have occurred at the time a qualified lead or click is delivered to the client provided that no significant obligations remain.

From time to time, the Company may agree to credit a client for certain leads or clicks if they fail to meet the contractual or other guidelines of a particular client. The Company has established a sales reserve based on historical experience. To date, such credits have been immaterial and within management's expectations.

For a portion of its revenue, the Company has agreements with providers of online media or traffic ("Publishers") used in the generation of leads or clicks. The Company receives a fee from its clients and pays a fee to Publishers either on a cost per lead, cost per click or cost per thousand impressions basis. The Company is the primary obligor in the transaction. As a result, the fees paid by the Company's clients are recognized as revenue and the fees paid to its Publishers are included in cost of revenue.

DSS revenue, which constituted 1% of net revenue for each of the three and nine months ended March 31, 2010 and 2009, comprises (i) set-up and professional services fees and (ii) usage fees. Set-up and professional service fees that do not provide stand-alone value to a client are recognized over the contractual term of the agreement or the expected client relationship period, whichever is longer, effective when the application reaches the "go-live" date. The Company defines the "go-live" date as the date when the application enters into a production environment or all essential functionalities have been delivered. Usage fees are recognized on a monthly basis as earned.

Deferred revenue is comprised of contractual billings in excess of recognized revenue and payments received in advance of revenue recognition.

Fair Value of Financial Instruments

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable, acquisition-related notes payable, a term loan and a revolving credit facility. The fair value of the Company's cash equivalents is determined based on quoted prices in active markets for identical assets. The recorded values of the Company's accounts receivable and accounts payable approximate their current fair values due to the relatively short-term nature of these accounts. The fair value of acquisition-related notes payable approximates their recorded amounts at March 31, 2010 as the interest rates on similar financing arrangements available to the Company at March 31, 2010 approximates the interest rates implied when these acquisition-related notes payable were originally issued and recorded. The Company believes that the fair values of the term loan and revolving credit facility approximate their recorded amounts at March 31, 2010 as the interest rates on these instruments are variable and based on market interest rates.

Goodwill

Goodwill is tested for impairment at the reporting unit level on an annual basis and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows and determining appropriate discount rates, growth rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit which could trigger impairment.

The Company has determined that DMS and DSS constitute two separate reporting units. The Company performs its annual goodwill impairment review during its fourth fiscal quarter. No impairment charges were recorded in the periods presented.

Long-Lived Assets

The Company evaluates long-lived assets, such as property and equipment and purchased intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company applies judgment when assessing the fair value of the assets based on the undiscounted future cash flows the assets are expected to generate and recognizes an impairment loss if estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When the Company identifies an impairment, it reduces the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. No impairment charges were recorded in the periods presented.

QUINSTREET, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(In thousands, except share and per share data)
(Unaudited)

Internal Software Development Costs

The Company incurs costs to develop software for internal use. The Company expenses all costs that relate to the planning and post-implementation phases of development as product development expense. Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life if the product is expected to have a useful life beyond six months. Costs associated with repair or maintenance of existing sites or the development of website content are included in cost of revenue in the accompanying statements of operations. The Company's policy is to amortize capitalized internal software development costs on a product-by-product basis using the straight-line method over the estimated economic life of the application, which is generally two years. Amortization of internal software development costs was $340 and $331 in the three months ended March 31, 2010 and 2009, respectively, and $941 and $1,195 in the nine months ended March 31, 2010 and 2009, respectively, and is reflected in cost of revenue.

Stock-Based Compensation

The Company records stock-based compensation expense for employee stock options granted or modified on or after July 1, 2006 based on estimated fair values for these stock options. The Company continues to account for stock options granted to employees prior to July 1, 2006 based on the intrinsic value of those stock options.

Fair values of share-based payment awards are determined on the date of grant using an option-pricing model. The Company has selected the Black-Scholes option pricing model to estimate the fair value of its stock options awards to employees. In applying the Black-Scholes option pricing model, the Company's determination of fair value of the share-based payment award on the date of grant is affected by the Company's estimated fair value of common shares for options granted prior to the Company's IPO, as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the stock options and the employees' actual and projected stock option exercise and pre-vesting employment termination behaviors.

The Company recognizes stock-based compensation expense over the requisite service period using the straight-line method, based on awards ultimately expected to vest. The Company estimates future forfeitures at the date of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

See Note 10 for further information.

Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income (loss). Other comprehensive income (loss) refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of stockholders' equity but are excluded from net income. The Company's other comprehensive income (loss) consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency and unrealized gains and losses on marketable securities categorized as available-for-sale. Total accumulated other comprehensive income (loss) is displayed as a separate component of stockholders' equity.

As of March 31, 2010 and June 30, 2009, marketable securities were not in unrealized gain or loss positions.

Income Taxes

The Company accounts for income taxes using an asset and liability approach to record deferred taxes. The Company's deferred income tax assets represent temporary differences between the financial statement carrying amount and the tax basis of existing assets and liabilities that will result in deductible amounts in future years, including net operating loss carry forwards. Based on estimates, the carrying value of the Company's net deferred tax assets assumes that it is more likely than not that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions. The Company's judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that changes the accounting for business combinations, including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition-related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. The new standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and to changes in valuation allowances for deferred tax assets and acquired income tax uncertainties arising from past business combinations. The adoption of the new standard on July 1, 2009 did not have a material effect on the Company's condensed consolidated financial statements.

In October 2009, the FASB amended the accounting standards for revenue recognition to remove tangible products containing software components and non-software components that function together to deliver the product's essential functionality from the scope of industry-specific software revenue recognition guidance. In October 2009, the FASB also amended the accounting standards for multiple deliverable revenue arrangements to

- provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated;
- require an entity to allocate revenue in an arrangement using estimated selling price ("ESP") of deliverables if a vendor does not have vendor-specific objective evidence ("VSOE") of selling price or third-party evidence ("TPE") of selling price;
- and eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method.

Both standards will be effective for the Company in the first quarter of fiscal year 2011. Early adoption is permitted. The Company does not anticipate that the adoption of these standards will have a material effect on its condensed consolidated financial statements.

In January 2010, the FASB issued a new fair value accounting standard update. This update requires additional disclosures about (i) the different classes of assets and liabilities measured at fair value, (ii) the valuation techniques and inputs used, (iii) the activity in Level 3 fair value measurements, and (iv) the transfers between Levels 1, 2, and 3. This update is effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of the new standard in the third quarter of fiscal 2010 did not have a material effect on the Company's condensed consolidated financial statements.

In February 2010, the FASB amended its accounting guidance for the accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued. In particular, the new amendment sets forth that a registrant is no longer required to disclose the date through which it has evaluated subsequent events. The amended guidance is effective immediately and was adopted by the Company in the third quarter of fiscal 2010.

QUINSTREET, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(In thousands, except share and per share data)
(Unaudited)

3. NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS AND NET INCOME PER SHARE

Basic and diluted net income per share attributable to common stockholders is presented in conformity with the “two-class method” required for participating securities. In February 2010, all of the Company’s outstanding convertible preferred stock converted into common stock in connection with the IPO. Prior to the conversion, holders of Series A, Series B and Series C convertible preferred stock were each entitled to receive 8% per annum non-cumulative dividends, payable prior and in preference to any dividends on any other shares of the Company’s capital stock. No such dividends were paid.

For periods prior to the conversion of the convertible preferred stock, net income per share information is computed using the two-class method. Under the two-class method, basic net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Net income attributable to common stockholders is computed by subtracting from net income the portion of current year-to-date earnings that the preferred stockholders would have been entitled to receive pursuant to their dividend rights had all of the year-to-date earnings been distributed. Diluted net income per share is computed by using the weighted-average number of common shares outstanding, including potential dilutive shares of common stock assuming the dilutive effect of outstanding stock options using the treasury stock method.

The following table presents the calculation of basic and diluted net income per share attributable to common stockholders:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
	(In thousands, except per share data)			
Numerator:				
Basic:				
Net income	$ 5,250	$ 6,393	$ 14,173	$ 12,047
8% non-cumulative dividends on convertible preferred stock	(373)	(819)	(2,018)	(2,457)
Undistributed earnings allocated to convertible preferred stock	(1,163)	(3,424)	(5,784)	(5,893)
Net income attributable to common stockholders — basic	$ 3,714	$ 2,150	$ 6,371	$ 3,697
Diluted:				
Net income attributable to common stockholders — basic	$ 3,714	$ 2,150	$ 6,371	$ 3,697
Undistributed earnings re-allocated to common stock	83	151	419	284
Net income attributable to common stockholders — diluted	$ 3,797	$ 2,301	$ 6,790	$ 3,981
Denominator:				
Basic:				
Weighted average shares of common stock used in computing basic net income per share	30,795	13,297	19,156	13,287
Diluted:				
Weighted average shares of common stock used in computing basic net income per share	30,795	13,297	19,156	13,287
Add weighted average effect of dilutive securities:				
Stock options	3,143	1,593	2,852	1,745
Weighted average shares of common stock used in computing diluted net income per share	33,938	14,890	22,008	15,032
Net income per common share:				
Basic	$ 0.12	$ 0.16	$ 0.33	$ 0.28
Diluted	$ 0.11	$ 0.15	$ 0.31	$ 0.26

Weighted average shares from options in the amount of 2,494,823 and 4,650,359 for the three months ended March 31, 2010 and 2009, respectively, and 2,801,310 and 4,384,760 for the nine months ended March 31, 2010 and 2009, respectively, were excluded from the dilutive shares outstanding because their effect was anti-dilutive.

(In thousands, except share and per share data)

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. A hierarchy for inputs used in measuring fair value has been defined to minimize the use of unobservable inputs by requiring the use of observable market data when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on active market data. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs into three broad levels:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 — Inputs are unobservable inputs based on the Company's assumptions.

As of March 31, 2010 and June 30, 2009, the Company did not hold marketable securities other than money market funds. Money market funds are classified as cash equivalents on the balance sheet and are categorized as follows in the fair value hierarchy as of March 31, 2010 and June 30, 2009.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)
Assets:		
Money market funds	$ 8,054	$ 8,054
Balance at June 30, 2009	$ 8,054	$ 8,054
Assets:		
Money market funds	$ 147,078	$ 147,078
Balance at March 31, 2010	$ 147,078	$ 147,078

5. ACQUISITIONS

Acquisition of Internet.com

On November 30, 2009, the Company acquired the website business of Internet.com, a division of WebMediaBrands, Inc., in exchange for $16,000 in cash paid upon closing of the acquisition and the issuance of a $2,000 non-interest-bearing promissory note payable in one installment. The results of Internet.com's operations have been included in the consolidated financial statements since the acquisition date. The Company acquired Internet.com to broaden its media access and client base in the business-to-business market. The total purchase price recorded was as follows:

	Amount
Cash	$ 16,000
Fair value of debt (net of $46 of imputed interest)	1,954
	$ 17,954

The acquisition was accounted for as a purchase business combination. The Company allocated the purchase price to tangible assets acquired, liabilities assumed and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The goodwill is deductible for tax purposes. The following table summarizes the preliminary allocation of the purchase price and the estimated useful lives of the identifiable intangible assets acquired as of the date of the acquisition:

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	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	$ 2,663	
Liabilities assumed	(634)	
Customer relationships	1,900	7 years
Website/trade/domain names	2,500	5 years
Content	4,300	4 years
Noncompete agreements	200	2 years
Goodwill	7,025	Indefinite
	$ 17,954	

Acquisition of Insure.com

On October 8, 2009, the Company acquired the website business Insure.com, an Illinois-based online marketing company, in exchange for $15,000 in cash paid upon closing of the acquisition and the issuance of a $1,000 non-interest-bearing promissory note payable in one installment. The results of Insure.com's acquired operations have been included in the consolidated financial statements since the acquisition date. The Company acquired Insure.com for its capacity to generate online visitors in the financial services market. The total purchase price recorded was as follows:

	Amount
Cash	$ 15,000
Fair value of debt (net of $24 of imputed interest)	976
	$ 15,976

The acquisition was accounted for as a purchase business combination. The Company allocated the purchase price to identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The goodwill is deductible for tax purposes. The following table summarizes the allocation of the purchase price and the estimated useful lives of the identifiable intangible assets acquired as of the date of the acquisition:

	Estimated Fair Value	Estimated Useful Life
Noncompete agreements	$ 900	3 years
Website/trade/domain names	1,250	8 years
Content	3,900	8 years
Goodwill	9,926	Indefinite
	$ 15,976	

Acquisition of Payler Corp. D/B/A HSH Associates Financial Publishers ("HSH")

On September 14, 2009, the Company acquired 100% of the outstanding shares of HSH, a New Jersey-based online marketing business, in exchange for $6,000 in cash paid upon closing of the acquisition and the issuance of $4,000 in non-interest-bearing promissory notes payable in five installments over the next five years. The results of HSH's acquired operations have been included in the consolidated financial statements since the acquisition date. The Company acquired HSH for its capacity to generate online visitors in the financial services market. The total purchase price recorded was as follows:

	Amount
Cash	$ 6,000
Fair value of debt (net of $241 of imputed interest)	3,759
	$ 9,759

The acquisition was accounted for as a purchase business combination. The Company allocated the purchase price to tangible assets acquired, liabilities assumed and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The goodwill is not deductible for tax purposes. The following table summarizes the allocation of the purchase price and the estimated useful lives of the identifiable intangible assets acquired as of the date of the acquisition:

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	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	$ 50	
Liabilities assumed	(1,695)	
Advertiser relationships	1,100	3 years
Website/trade/domain names	800	6 years
Content	1,400	6 years
Goodwill	8,104	Indefinite
	$ 9,759	

Acquisition of U.S. Citizens for Fair Credit Card Terms, Inc. ("CardRatings")

On August 5, 2008, the Company acquired 100% of the outstanding shares of CardRatings, an Arkansas-based online marketing company, in exchange for $10,000 in cash paid upon closing of the acquisition and the issuance of $5,000 in non-interest-bearing promissory notes payable in five installments over the next five years, secured by the assets acquired. The Company paid $372 in working capital adjustment following the closing of the acquisition. The results of CardRatings' acquired operations have been included in the consolidated financial statements since the acquisition date. The Company acquired CardRatings for its capacity to generate online visitors in the financial services market. The total purchase price recorded was as follows:

	Amount
Cash	$ 10,372
Fair value of debt (net of $722 of imputed interest)	4,278
Acquisition-related costs	20
	$ 14,670

The acquisition was accounted for as a purchase business combination. The Company allocated the purchase price to tangible assets acquired, liabilities assumed and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The goodwill is entirely deductible for tax purposes. The following table summarizes the allocation of the purchase price and the estimated useful lives of the identifiable intangible assets acquired as of the date of the acquisition:

	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	$ 834	
Liabilities assumed	(206)	
Advertiser relationships	2,325	7 years
Website/trade/domain names	776	5 years
Noncompete agreements	124	3 years
Content	140	2 years
Goodwill	10,677	Indefinite
	$ 14,670	

Other Acquisitions

During the nine months ended March 31, 2010, in addition to the acquisition of HSH, Insure.com and Internet.com, the Company acquired operations from 22 other online publishing businesses in exchange for $14,598 in cash paid upon closing of the acquisitions and $4,356 payable in the form of non-interest-bearing, unsecured promissory notes payable over a period of time ranging from one to five years. The aggregate purchase price recorded was as follows:

	Amount
Cash	$ 14,598
Fair value of debt (net of $295 in imputed interest)	4,061
	$ 18,659

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The acquisitions were accounted for as purchase business combinations. In each of the acquisitions, the Company allocated the purchase price to identifiable intangible assets acquired based on their estimated fair values and liabilities assumed, if any. The excess of the purchase price over the aggregate fair values of the identifiable intangible assets was recorded as goodwill. Goodwill deductible for tax purposes is $13,014. The following table summarizes the preliminary allocation of the purchase prices of these other acquisitions during the nine months ended March 31, 2010 and the estimated useful lives of the identifiable intangible assets acquired as of the respective dates of these acquisitions:

	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	$ 1	
Content	2,526	1-6 years
Customer / publisher relationships	687	1-7 years
Website/trade/domain names	1,101	5 years
Noncompete agreements	141	2-3 years
Acquired technology	199	3 years
Goodwill	14,004	Indefinite
	$ 18,659	

During fiscal year 2009, in addition to the acquisition of CardRatings, the Company acquired operations from 33 other online publishing businesses in exchange for $14,606 in cash paid upon closing of the acquisitions and $4,268 payable primarily in the form of non-interest-bearing, unsecured promissory notes payable over a period of time ranging from one to five years. The aggregate purchase price recorded was as follows:

	Amount
Cash	$ 14,606
Fair value of debt (net of $395 of imputed interest)	3,873
Acquisition-related costs	134
	$ 18,613

The acquisitions were accounted for as purchase business combinations. In each of the acquisitions, the Company allocated the purchase price to identifiable intangible assets acquired based on their estimated fair values and liabilities assumed, if any. No tangible assets were acquired. The excess of the purchase price over the aggregate fair values of the identifiable intangible assets was recorded as goodwill. The goodwill is entirely deductible for tax purposes. The following table summarizes the allocation of the purchase prices of these other fiscal year 2009 acquisitions and the estimated useful lives of the identifiable intangible assets acquired as of the respective dates of these acquisitions:

	Estimated Fair Value	Estimated Useful Life
Liabilities assumed	$ (22)	
Content	2,538	1-6 years
Customer/publisher relationships	1,952	1-7 years
Website/trade/domain names	2,418	5 years
Noncompete agreements	236	5 years
Acquired technology	392	3 years
Goodwill	11,099	Indefinite
	$ 18,613	

Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and other companies that were acquired since the beginning of fiscal year 2009. The pro forma financial information includes the business combination accounting effects resulting from these acquisitions including amortization charges from acquired intangible assets and the related tax effects as though the aforementioned companies were combined as of the beginning of each period presented. The unaudited pro forma financial information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each period presented.

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	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Total revenue	$91,518	$75,003	$254,277	$208,825
Net income	5,220	4,459	15,219	9,903
Basic net income per share	$ 0.12	$ 0.11	$ 0.36	$ 0.22
Diluted net income per share	$ 0.11	$ 0.10	$ 0.34	$ 0.21

6. INTANGIBLE ASSETS, NET

Intangible assets, net balances, excluding goodwill, consisted of the following:

	March 31, 2010			June 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer/publisher relationships	$ 26,669	$ (9,472)	$ 17,197	$ 22,982	$ (6,299)	$ 16,683
Content	30,271	(15,039)	15,232	18,145	(10,546)	7,599
Website/trade/domain names	14,838	(4,400)	10,438	9,187	(2,988)	6,199
Acquired technology and other	11,474	(8,517)	2,957	10,034	(6,525)	3,509
	$ 83,252	$ (37,428)	$ 45,824	$ 60,348	$ (26,358)	$ 33,990

Amortization of intangible assets was $4,110 and $3,189 in the three months ended March 31, 2010 and 2009, respectively, and $11,070 and $9,584 in the nine months ended March 31, 2010 and 2009, respectively.

Amortization expense for the Company's acquisition-related intangible assets as of March 31, 2010 for each of the next five years and thereafter is as follows:

Year Ending June 30,	
2010 (remaining three months)	$ 5,502
2011	13,122
2012	10,594
2013	7,897
2014	3,795
2015	2,578
Thereafter	2,336
	$ 45,824

7. GOODWILL

The changes in the carrying amount of goodwill for the nine months ended March 31, 2010 were as follows:

	DMS	DSS	Total
Balance at June 30, 2009	$ 105,513	$ 1,231	$ 106,744
Additions	39,059	—	39,059
Balance at March 31, 2010	$ 144,572	$ 1,231	$ 145,803

In the nine months ended March 31, 2010, the additions to goodwill relate to the Company's acquisitions as described in Note 5, and primarily reflect the value of the synergies expected to be generated from combining the Company's technology and know-how with the acquired businesses' access to online visitors.

8. DEBT

Promissory Notes

During the nine months ended March 31, 2010 and fiscal year 2009, the Company issued total promissory notes for the acquisition of businesses of $10,750 and $8,151, respectively, net of imputed interest amounts of $606 and $1,117, respectively. The majority of the promissory notes are non-interest-bearing. For these notes interest was imputed such that the notes carry an interest rate commensurate with that available to the Company in the market for similar debt instruments. The Company recorded accretion of notes payable of $15 and $265 for the three months ended March 31, 2010 and 2009, respectively, and $217 and $541 for the nine months ended March 31, 2010 and 2009, respectively. Certain of the promissory notes are secured by the assets acquired in respect to which the notes were issued.

Term Loan and Revolving Credit Facility

In September 2008, the Company replaced its existing revolving credit facility of $60,000 with a credit facility totaling $100,000. The new facility consisted of a $30,000 five-year term loan and a $70,000 revolving credit line.

In November 2009, the Company entered into an amendment of its existing credit facility pursuant to which the Company’s lenders agreed to increase the maximum amount available under the Company’s revolving credit line from $70,000 to $100,000.

In January 2010, the Company replaced its existing credit facility with a new credit facility with total borrowing capacity of $175,000. The new credit facility consists of a $35,000 four-year term loan, with principal amortization of 10%, 15%, 35% and 40% annually, and a $140,000 four-year revolving credit line with an optional increase of $50,000.

Borrowings under the credit facility are collateralized by the Company’s assets and interest is payable quarterly at specified margins above either LIBOR or the Prime Rate. The interest rate varies dependent upon the ratio of funded debt to adjusted EBITDA and ranges from LIBOR + 2.125% to 2.875% or Prime + 1.00% to 1.50% for the revolving credit line and from LIBOR + 2.50% to 3.25% or Prime + 1.00% to 1.50% for the term loan. The revolving credit line also requires a quarterly facility fee of 0.375% of the revolving credit line. The credit facility expires in January 2014. The loan and revolving credit line agreement restricts the Company’s ability to raise additional debt financing and pay dividends. In addition, the Company is required to maintain financial ratios computed as follows:

1. Quick ratio: ratio of (i) the sum of unrestricted cash and cash equivalents and trade receivables less than 90 days from invoice date to (ii) current liabilities and face amount of any letters of credit less the current portion of deferred revenue.

2. Fixed charge coverage: ratio of (i) trailing twelve months of Adjusted EBITDA to (ii) the sum of capital expenditures, net cash interest expense, cash taxes, cash dividends and trailing twelve months payments of indebtedness. Payment of unsecured indebtedness is excluded to the degree that sufficient unused revolving credit line exists such that the relevant debt payment could be made from the credit facility.

3. Funded debt to Adjusted EBITDA: ratio of (i) the sum of all obligations owed to lending institutions, the face amount of any letters of credit, indebtedness owed in connection with acquisition-related notes and indebtedness owed in connection with capital lease obligations to (ii) trailing twelve months of Adjusted EBITDA.

The credit facility also requires the Company to comply with other nonfinancial covenants. The Company was in compliance with the financial ratios as of March 31, 2010 and June 30, 2009.

Upfront arrangement fees incurred in connection with credit facilities are deferred and amortized over the remaining term of the arrangement.

As of March 31, 2010 and June 30, 2009, $35,000 and $28,500 was outstanding under the term loan and $41,754 and $6,257 was outstanding under the revolving credit line, respectively.

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Debt Maturities

The maturities of debt as of March 31, 2010 were as follows:

Year Ending June 30,	Notes Payable	Term loan and revolving credit line
2010 (remaining three months)	$ 2,400	$ 850
2011	14,419	3,963
2012	6,204	7,000
2013	2,834	12,688
2014	2,273	52,253
2015	500	—
	28,630	76,754
Less: imputed interest and unamortized discounts	(1,288)	(1,364)
Less: current portion	(14,955)	(3,141)
Noncurrent portion of debt	$ 12,387	$ 72,249

Letters of Credit

The Company has a $350 letter of credit agreement with a financial institution that is used as collateral for fidelity bonds placed with an insurance company. The letter of credit automatically renews annually in September without amendment unless cancelled by the financial institution within 30 days of the annual expiration date.

The Company has a $223 letter of credit agreement with a financial institution that is used as collateral for the Company's existing corporate headquarters' operating lease. The letter of credit automatically renews annually without amendment unless cancelled by the financial institution within 30 days of the annual expiration date.

The Company has a $500 letter of credit agreement with a financial institution that is used as collateral for the Company's new corporate headquarters' operating lease. The letter of credit automatically renews annually without amendment unless cancelled by the financial institution within 30 days of the annual expiration date.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and equipment under non-cancelable operating leases with various expiration dates through 2018. Rent expense for the three months ended March 31, 2010 and 2009 was $787 and $662, respectively, and $2,457 and $1,886 for the nine months ended March 31, 2010 and 2009, respectively. The Company recognizes rent expense on a straight-line basis over the lease period and accrues for rent expense incurred but not paid.

Future annual minimum lease payments under all noncancelable operating leases as of March 31, 2010 were as follows:

Year Ending June 30,	Operating Leases
2010 (remaining three months)	$ 783
2011	1,459
2012	1,146
2013	2,073
2014	2,332
2015	2,379
Thereafter	8,269
	$ 18,441

The existing lease for the Company's corporate headquarters located at 1051 Hillsdale Boulevard, Foster City, California expires in October 2010.

In February, 2010, the Company entered into a new lease agreement for office space located at 950 Tower Lane, Foster City, California. The term of the lease begins on November 1, 2010 and expires on the last day of the 96th full calendar month commencing on or after November 1, 2010. The monthly base rent will be abated for the first 12 calendar months under the lease. Thereafter, the monthly base rent will be $118 through the 24th calendar month of the term of the lease, after which the monthly base rent will increase to $182 for the subsequent 12 months. In the following years the monthly base rent will increase approximately 3% after each 12-month anniversary during the term of the lease, including any extensions under the Company's options to extend.

The Company has two options to extend the term of the lease for one additional year for each option following the expiration date of the lease or renewal term, as applicable.

Concurrently with the execution of the lease, the Company delivered to the landlord, as collateral for the full performance by the Company of all of its obligations under the lease, and for all losses and damages the landlord may suffer as a result of any default by the Company under the lease, a letter of credit in the face amount of $500.

Guarantor Arrangements

The Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Company's request in such capacity. The term of the indemnification period is for the officer or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. Accordingly, the Company had no liabilities recorded for these agreements as of March 31, 2010 and June 30, 2009, respectively

In the ordinary course of its business, the Company enters into standard indemnification provisions in its agreements with its clients. Pursuant to these provisions, the Company indemnifies its clients for losses suffered or incurred in connection with third-party claims that a Company product infringed upon any United States patent, copyright or other intellectual property rights. Where applicable, the Company generally limits such infringement indemnities to those claims directed solely to its products and not in combination with other software or products. With respect to its DSS products, the Company also generally reserves the right to resolve such claims by designing a non-infringing alternative or by obtaining a license on reasonable terms, and failing that, to terminate its relationship with the client. Subject to these limitations, the term of such indemnity provisions is generally coterminous with the corresponding agreements.

The potential amount of future payments to defend lawsuits or settle indemnified claims under these indemnification provisions is unlimited; however, the Company believes the estimated fair value of these indemnity provisions is minimal, and accordingly, the Company had no liabilities recorded for these agreements as of March 31, 2010 and June 30, 2009, respectively.

During fiscal year 2009, the Company settled an indemnity obligation with respect to one ongoing litigation matter. See discussion below for further details.

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Litigation

In August 2005, the Company was notified by one of its DSS segment clients that epicRealm Licensing, LLC ("epicRealm LLC"), a non-operating patent holding company, had filed a lawsuit against such client in the United States District Court for the Eastern District of Texas alleging that certain web-based services provided by the Company and others to such client infringed patents held by epicRealm LLC.

In August 2006, the Company filed suit against epicRealm Licensing LP ("epicRealm LP") in the United States District Court for the District of Delaware seeking to invalidate certain patents owned by epicRealm LP. In April 2007, epicRealm LP filed counterclaims against the Company alleging patent infringement. Parallel Networks, LLC was later substituted for epicRealm LP as the patent holder and party-in-interest.

In April 2009, the Company entered into a settlement and license agreement ("Agreement") with Parallel Networks pertaining to the patents in question ("Licensed Patents"). Under the terms of the Agreement, Parallel Networks granted the Company a perpetual, royalty-free, non-sublicensable and generally non-transferable, worldwide right and license under the Licensed Patents: (i) to use any product technology or service covered by or which embodies any one or more claims of the Licensed Patents (as defined in the Agreement); and (ii) to practice any method covered by any one or more claims of the Licensed Patents in connection with the activities in clause (i). Additionally, Parallel Networks covenants not to sue the Company.

The Company paid Parallel Networks a one-time, non-refundable fee of $850. The Company recognized an intangible asset of $226 related to the estimated fair value of the license and expensed the remaining $624 as a settlement expense.

10. EQUITY BENEFIT PLANS

In November 2009, the Company's board of directors adopted the 2010 Equity Incentive Plan (the "2010 Incentive Plan") and the Company's stockholders approved the 2010 Incentive Plan in January 2010. The 2010 Incentive Plan became effective upon the completion of the IPO. Awards granted after January 2008 but before the adoption of the 2010 Incentive Plan continue to be governed by the terms of the 2008 Equity Incentive Plan (the "2008 Plan"). All outstanding stock awards granted before January 2008 continue to be governed by the terms of the Company's amended and restated 1999 Equity Incentive Plan (the "1999 Plan").

The 2010 Incentive Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance-based stock awards and other forms of equity compensation. In addition, the 2010 Incentive Plan provides for the grant of performance cash awards. The Company may issue incentive stock options ("ISOs") only to its employees. Non-qualified stock options ("NQSOs") and all other awards may be granted to employees, including officers, nonemployee directors and consultants. ISOs and NQSOs are generally granted to employees with an exercise price equal to the market price of the Company's common stock at the date of grant, as determined by the Company's board of directors. Stock options granted to employees generally have a contractual term of seven years and vest over four years of continuous service, with 25 percent of the stock options vesting on the one-year anniversary of the date of grant and the remaining 75 percent vesting in equal monthly installments over the 36-month period thereafter.

The aggregate number of shares of the Company's common stock initially reserved for issuance under the 2010 Incentive Plan was 282,277 and will be increased by any outstanding stock awards that expire or terminate for any reason prior to their exercise or settlement. The number of shares of the Company's common stock reserved for issuance may be increased annually from July 1, 2010 through July 1, 2019 by up to five percent of the total number of shares of the Company's common stock outstanding on the last day of the preceding fiscal year. The maximum number of shares that may be issued under the 2010 Incentive Plan is 30,000,000.

In November 2009, the Company's board of directors adopted the 2010 Non-Employee Directors' Stock Award Plan (the "Directors' Plan") and the stockholders approved the Directors' Plan in January 2010. The Directors' Plan became effective upon the completion of the Company's IPO. The Directors' Plan provides for the automatic grant of nonstatutory stock options to purchase shares of the Company's common stock to non-employee directors and also provides for the discretionary grant of restricted stock units.

An aggregate of 300,000 shares of the Company's common stock are reserved for issuance under the Directors' Plan. This amount may be increased annually, by the sum of 200,000 shares and the aggregate number of shares of the Company's common stock subject to awards granted under the Directors' Plan during the immediately preceding fiscal year.

The Company estimates the fair value of stock option awards at the date of grant using the Black-Scholes option-pricing model. Options are granted with an exercise price equal to the fair value of the common stock as of the date of grant. Compensation expense is amortized net of estimated forfeitures on a straight-line basis over the requisite service period of the options, which is generally four years.

The weighted average Black-Scholes model assumptions for the three and nine months ended March 31, 2009 and 2010 were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Risk-free interest rate	2.43%	1.76%	2.39%	2.81%
Expected term (years)	4.6	4.6	4.6	4.6
Expected volatility	56%	70%	67%	62%
Expected dividend yield	0%	0%	0%	0%

The weighted average grant date fair value of employee stock options granted was $9.18 and $5.08 during the three months ended March 31, 2010 and 2009, respectively, and $9.52 and $5.28 during the nine months ended March 31, 2010 and 2009, respectively.

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11. STOCKHOLDERS' EQUITY

In February 2010, the Company completed its IPO, whereby it sold 10,000,000 shares of common stock for a price of $15.00 per share. The Company received $136,803 net of offering costs. Approximately $13,197 in offering costs were incurred and have been deducted from additional paid-in capital.

Prior to the closing of the IPO, the Company had outstanding three series of convertible preferred stock. On February 11, 2010, in conjunction with the closing of the IPO, all of the Company's 21,176,533 outstanding preferred shares automatically converted on a one-for-one basis into 21,176,533 shares of common stock. At March 31, 2010, the Company had no preferred shares outstanding.

In the nine months ended March 31, 2010, the Company repurchased 79,800 shares of its outstanding common stock at a total cost of $715 and an average cost of $8.96 per share.

The following table sets forth the components of comprehensive income for the three and nine months ended March 31, 2010 and 2009:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Net income	$ 5,250	$ 6,393	$ 14,173	$ 12,047
Other comprehensive income (loss)				
Foreign currency translation adjustment	8	(26)	—	14
Comprehensive income	$ 5,258	$ 6,367	$ 14,173	$ 12,061

12. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its chief executive officer. The Company's chief executive officer reviews financial information presented on a consolidated basis, accompanied by information about operating segments, including net sales and operating income before depreciation, amortization and stock-based compensation expense.

The Company determined its operating segments to be DMS, which derives substantially all of its revenue from fees earned through the delivery of qualified leads and clicks, and DSS, which derives substantially all of its revenue from the sale of direct selling services through a hosted solution. The Company's reportable operating segments consist of DMS and DSS. The accounting policies of the two reportable operating segments are the same as those described in Note 2.

The Company evaluates the performance of its operating segments based on net sales and operating income before depreciation, amortization and stock-based compensation expense.

The Company does not allocate most of its assets, as well as its depreciation and amortization expense, stock-based compensation expense, interest income, interest expense and income tax expense by segment. Accordingly, the Company does not report such information.

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Summarized information by segment was as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Net revenue by segment:				
DMS	$ 90,511	$ 68,925	$ 244,841	$ 190,208
DSS	262	888	1,447	2,518
Total net revenue	90,773	69,813	246,288	192,726
Segment operating income before depreciation, amortization, and stock-based compensation expense:				
DMS	18,266	18,085	50,672	40,425
DSS	73	486	806	1,260
Total segment operating income before depreciation, amortization, and stock-based compensation expense	18,339	18,571	51,478	41,685
Depreciation and amortization	5,075	4,035	13,678	12,386
Stock-based compensation expense	3,126	1,474	10,219	4,384
Operating income	$ 10,138	$ 13,062	$ 27,581	$ 24,915

The following tables set forth net revenue, assets and long-lived assets by geographic area:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Net revenue:				
North America	$ 90,764	$ 69,769	$ 245,754	$ 192,498
Europe	9	44	534	228
Total net revenue	$ 90,773	$ 69,813	$ 246,288	$ 192,726

	March 31, 2010	June 30, 2009
Assets:		
North America	$ 433,074	$ 211,337
Europe	488	927
Asia/Pacific	605	614
Total assets	$ 434,167	$ 212,878
Long-lived assets:		
North America	$ 5,176	$ 4,485
Europe	—	35
Asia/Pacific	175	221
Total long-lived assets	$ 5,351	$ 4,741

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our prospectus filed pursuant to Rule 424(b) under the Securities Act with the SEC on February 11, 2010.

This quarterly report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "will," "plan," "project," "seek," "should," "target," "will," "would," and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our prospectus filed pursuant to Rule 424(b) under the Securities Act with the Securities and Exchange Commission on February 11, 2010. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Management Overview

Quinstreet is a leader in vertical marketing and media on the Internet. We have built a strong set of capabilities to engage Internet visitors with targeted media and to connect our marketing clients with their potential customers online. We focus on serving clients in large, information-intensive industry verticals where relevant, targeted media and offerings help visitors make informed choices, find the products that match their needs, and thus become qualified customer prospects for our clients.

We deliver cost-effective marketing results to our clients most typically in the form of a qualified lead or click. These leads or clicks can then convert into a customer or sale for the client at a rate that results in an acceptable marketing cost to them. We get paid by clients primarily when we deliver qualified leads or clicks as defined by our agreements with them. Because we bear the costs of media, our programs must deliver a value to our clients and provide for a media yield, or our ability to generate an acceptable margin on our media costs that provides a sound financial outcome, for us. Our general process is:

- We own or access targeted media;
- We run advertisements or other forms of marketing messages and programs in that media to create visitor responses or clicks through to client offerings;
- We match these responses or clicks to client offerings or brands that meet visitor interests or needs, converting visitors into qualified leads or clicks; and
- We optimize client matches and media yield such that we achieve desired results for clients and a sound financial outcome for us.

Our primary financial objective has been and remains creating revenue growth, from sustainable sources, at target levels of profitability. Our primary financial objective is not to maximize profits, but rather to achieve target levels of profitability while investing in various growth initiatives, as we believe we are in the early stages of a large, long-term market.

Our Direct Marketing Services, or DMS, business accounted for 99% of our net revenue in each of the first three and nine months of fiscal year 2010 and 2009. Our DMS business derives substantially all of its net revenue from fees earned through the delivery of qualified leads and clicks to our clients. Through a vertical focus, targeted media presence and our technology platform, we are able to deliver targeted, measurable marketing results to our clients.

Our two largest client verticals are financial services and education. Our education client vertical represented 42% and 55% of net revenue in the three months ended March 31, 2010 and 2009, respectively, and 47% and 58% of net revenue in the nine months ended March 31, 2010 and 2009, respectively. Our financial services client vertical represented 46% and 35% of net revenue in the three months ended March 31, 2010 and 2009, respectively, and 43% and 30% of net revenue in the nine months ended March 31, 2010 and 2009, respectively. Other DMS verticals, consisting primarily of home services, business-to-business, or B2B, and medical, represented 12% and 10% of net revenue in the three months ended March 31, 2010 and 2009, respectively, and 10% and 12% of net revenue in the nine months ended March 31, 2010 and 2009, respectively.

In addition, we derived 1% of our net revenue in each of the three and nine months ended March 31, 2010 and 2009, from the provision of a hosted solution and related services for clients in the direct selling industry, also referred to as our Direct Selling Services, or DSS, business.

We generated substantially all of our revenue from sales to clients in the United States.

We face an additional challenge with regard to a significant client, which accounted for 18% of our net revenue in the three months ended March 31, 2009, and 10% and 19% in the nine months ended March 31, 2010 and 2009, respectively. This client has recently retained an advertising agency and has reduced its purchases of leads from us. We have been addressing this challenge by working with this client and the agency to understand their evolving needs and strategies and understand how we can best serve them going forward. In addition, we have been expanding our business with other clients in our education client vertical. We are also expanding our client base in education to replace visitor matches previously delivered to this client.

Trends Affecting our Business

Seasonality

Our results are subject to significant fluctuation as a result of seasonality. In particular, our quarters ending December 31 (our second fiscal quarter) typically demonstrate seasonal weakness. In the second fiscal quarters, there is lower availability of lead supply from some forms of media during the holiday period on a cost effective basis and some of our clients often request fewer leads due to holiday staffing. For example, in the quarters ended December 31, 2009 and 2008 net revenue from our education clients declined 10% and 13%, respectively, from the previous quarter. In our quarters ending March 31 (our third fiscal quarter), this trend generally reverses with better lead availability and often new budgets at the beginning of the year for our clients with financial years ending December 31.

Acquisitions

Beginning in fiscal year 2008, we increased our level of strategic acquisition activity to expand our existing verticals and diversify our business among these verticals by substantially increasing our spending on acquisitions of businesses and technologies. For example, in February 2008, we acquired ReliableRemodeler.com, Inc., or ReliableRemodeler, an Oregon-based company specializing in online home renovation and contractor referrals for $17.5 million in cash and $8.0 million in non-interest-bearing, unsecured promissory notes, in an effort to increase our presence within our home services vertical. In April 2008, we acquired Cyberspace Communication Corporation, an Oklahoma-based online marketing company doing business as SureHits, for $27.5 million in cash and $18.0 million in potential earn-out payments, in an effort to increase our presence within the financial services vertical. During fiscal years 2008 and 2009, in addition to the acquisitions mentioned above, we acquired an aggregate of 21 and 34 online publishing businesses, respectively.

In September 2009, we acquired Payler Corp. D/B/A HSH Associates Financial Publishers, or HSH, for $6.0 million in cash and a $4.0 million non-interest-bearing, unsecured promissory note. In October 2009, we acquired the website business Insure.com from Life Quotes, Inc., or Insure.com, for $15.0 million in cash and a $1.0 million non-interest- bearing, unsecured promissory note. In November 2009, we acquired the website assets of the Internet.com division of WebMediaBrands, Inc., or Internet.com, for $16.0 million in cash and a $2.0 million non-interest-bearing, unsecured promissory note. During the nine months ended March 31, 2010, in addition to the acquisitions of HSH, Insure.com and Internet.com, we acquired an aggregate of 22 online publishing businesses.

Our acquisition strategy may result in significant fluctuations in our available working capital from period to period and over the years. We may use cash, stock or promissory notes to acquire various businesses or technologies, and we cannot accurately predict the timing of those acquisitions or the impact on our cash flows and balance sheet. Large acquisitions or multiple acquisitions within a particular period may significantly affect our financial results for that period. We may utilize debt financing to make acquisitions, which could give rise to higher interest expense and more restrictive operating covenants. We may also utilize our stock as consideration, which could result in substantial dilution.

Client Verticals

To date, we have generated the majority of our revenue from clients in our education client vertical. We expect that a majority of our revenue in fiscal year 2010 will be generated from clients in our education and financial services client verticals. Marketing budgets for clients in our education vertical are affected by a number of factors, including the availability of student financial aid, the regulation of for-profit financial institutions and economic conditions. Over the past year, some segments of the financial services industry, particularly mortgages, credit cards and deposits, have seen declines in marketing budgets given the difficult market conditions. In addition, the education and financial services industries are highly regulated. Changes in regulations or government actions may negatively affect our clients' businesses and marketing practices and therefore, adversely affect our financial results.

Development and Acquisition of Vertical Media

One of the primary challenges of our business is finding or creating media that is targeted enough to attract prospects economically for our clients and at costs that work for our business model. In order to continue to grow our business, we must be able to continue to find or develop quality vertical media on a cost-effective basis. Our inability to find or develop vertical media could impair our growth or adversely affect our financial performance.

Basis of Presentation

General

We operate in two segments: DMS and DSS. For further discussion or financial information about our reporting segments, see Note 12 to our condensed consolidated financial statements.

Net Revenue

DMS. We derive substantially all of our revenue from fees earned through the delivery of qualified leads or paid clicks. We deliver targeted and measurable results through a vertical focus that we classify into the following client verticals: education, financial services and "other" (which includes home services, B2B and medical).

DSS. We derived approximately 1% of net revenue from our DSS business in each of the three and nine months ended March 31, 2010 and 2009, respectively. We expect DSS to continue to represent an immaterial portion of our business.

Cost of Revenue

Cost of revenue consists primarily of media costs, personnel costs, amortization of acquisition-related intangible assets, depreciation expense and amortization of internal software development costs on revenue-producing technologies. Media costs consist primarily of fees paid to website publishers that are directly related to a revenue-generating event and PPC ad purchases from Internet search companies. We pay these Internet search companies and website publishers on a revenue-share, cost-per-lead, or CPL, cost-per-click, or CPC, and cost-per-thousand-impressions, or CPM, basis. Personnel costs include salaries, bonuses, stock-based compensation expense and employee benefit costs. Compensation expense is primarily related to individuals associated with maintaining our servers and websites, our editorial staff, client management, creative team, compliance group and media purchasing analysts.

Costs associated with software incurred in the development phase or obtained for internal use are capitalized and amortized in cost of revenue over the product's estimated useful life. We anticipate that our cost of revenue will increase in absolute dollars.

Operating Expenses

We classify our operating expenses into three categories: product development, sales and marketing, and general and administrative. Our operating expenses consist primarily of personnel costs and, to a lesser extent, professional fees, rent and allocated costs. Personnel costs for each category of operating expenses generally include salaries, bonuses and commissions, stock-based compensation expense and employee benefit costs.

Product Development. Product development expenses consist primarily of personnel costs and professional services fees associated with the development and maintenance of our technology platforms, development and launching of our websites, product-based quality assurance and testing. We believe that continued investment in technology is critical to attaining our strategic objectives and, as a result, we expect technology development and enhancement expenses to increase in absolute dollars in future periods.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel costs and, to a lesser extent, allocated overhead, professional services, advertising, travel and marketing materials. We expect sales and marketing expenses to increase in absolute dollars as we hire additional personnel in sales and

marketing to support our increasing revenue base and product offerings.

General and Administrative. General and administrative expenses consist primarily of personnel costs of our executive, finance, legal, corporate and business development, employee benefits and compliance, and other administrative personnel, as well as accounting and legal professional services fees and other corporate expenses. We expect general and administrative expenses to increase in absolute dollars in future periods as we continue to invest in corporate infrastructure and incur additional expenses associated with being a public company, including increased legal and accounting costs, investor relations costs, higher insurance premiums and compliance costs associated with Section 404 of the Sarbanes-Oxley Act of 2002.

Interest and Other Income (Expense), Net

Interest and other income (expense), net, consists primarily of interest income and interest expense. Interest expense is related to our credit facility and promissory notes issued in connection with our acquisitions and includes imputed interest. The outstanding balance of our credit facility and acquisition-related promissory notes was $76.8 million and $28.6 million, respectively, as of March 31, 2010. Borrowings under our credit facility and related interest expense could increase as we continue to implement our acquisition strategy. Interest income represents interest received on our cash and cash equivalents, which we expect will increase in the near term as a result of the investment of the net proceeds from the IPO.

Income Tax Expense

We are subject to tax in the United States as well as other tax jurisdictions or countries in which we conduct business. Earnings from our limited non-U.S. activities are subject to local country income tax and may be subject to current U.S. income tax.

As of March 31, 2010, we did not have net operating loss carryforwards for federal income tax purposes and had approximately $2.8 million in California state net operating loss carryforwards that begin to expire in March 2011 and that we expect to utilize in an amended return. The California net operating loss carryforwards will not offset future taxable income, but may instead result in a refund of historical taxes paid.

As of March 31, 2010, we had net deferred tax assets of $5.5 million. Our net deferred tax assets consist primarily of accruals, reserves and stock-based compensation expense not currently deductible for tax purposes. We assess the need for a valuation allowance on the deferred tax assets by evaluating both positive and negative evidence that may exist. Any adjustment to the deferred tax asset valuation allowance would be recorded in the income statement of the periods that the adjustment is determined to be required.

Critical Accounting Policies, Estimates and Judgments

In presenting our consolidated financial statements in conformity with U.S. generally accepting accounting principles, or GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures.

Some of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. We base these estimates and assumptions on historical experience or on various other factors that we believe to be reasonable and appropriate under the circumstances. On an ongoing basis, we reconsider and evaluate our estimates and assumptions. Actual results may differ significantly from these estimates.

We believe that the critical accounting policies listed below involve our more significant judgments, assumptions and estimates and, therefore, could have the greatest potential impact on our consolidated financial statements. There have been no material changes to our critical accounting policies.

We believe that the following critical accounting policies involve our more significant judgments, assumptions and estimates:

- Revenue recognition;
- Goodwill;
- Long-lived assets;
- Internal software development costs;
- Stock-based compensation; and
- Income taxes.

For further information on our critical and other significant accounting policies, see Note 2 to our condensed consolidated financial statements and our prospectus filed pursuant to Rule 424(b) under the Securities Act with the SEC on February 11, 2010.

Results of Operations

The following table sets forth our consolidated statement of operations for the periods indicated:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2010		2009		2010		2009	
	(In thousands)							
Net revenue	$ 90,773	100.0%	$ 69,813	100.0%	$ 246,288	100.0%	$ 192,726	100.0%
Cost of revenue (1)	66,268	73.0	46,780	67.0	177,872	72.2	135,030	70.1
Gross profit	24,505	27.0	23,033	33.0	68,416	27.8	57,696	29.9
Operating expenses (1):								
Product development	5,325	5.9	3,512	5.0	14,534	5.9	10,992	5.7
Sales and marketing	4,575	5.0	3,594	5.2	12,190	5.0	12,017	6.2
General and administrative	4,467	4.9	2,865	4.1	14,111	5.7	9,772	5.1
Operating income	10,138	11.2	13,062	18.7	27,581	11.2	24,915	12.9
Interest income	16	0.0	44	0.1	33	0.0	221	0.1
Interest expense	(1,302)	(1.4)	(879)	(1.3)	(2,931)	(1.2)	(2,749)	(1.4)
Other income (expense), net	(64)	(0.1)	(16)	(0.0)	221	0.1	(256)	(0.1)
Income before income taxes	8,788	9.7	12,211	17.5	24,904	10.1	22,131	11.5
Provision for taxes	(3,538)	(3.9)	(5,818)	(8.3)	(10,731)	(4.3)	(10,084)	(5.2)
Net income	$ 5,250	5.8%	$ 6,393	9.2%	$ 14,173	5.8%	$ 12,047	6.3%

(1) Cost of revenue and operating expenses include stock-based compensation expense as follows:

Cost of revenue	$ 653	$ 470	$ 2,143	$ 1,477
Product development	686	176	1,570	494
Sales and marketing	1,163	455	2,504	1,352
General and administrative	624	373	4,002	1,061

Net Revenue

	Three Months Ended March 31,		Nine Months Ended March 31,		Three-Month	Nine-Month
	2010	2009	2010	2009	% Change	% Change
	(In thousands)					
Net revenue	$ 90,773	$ 69,813	$ 246,288	$ 192,726	30%	28%
Cost of revenue	66,268	46,780	177,872	135,030	42%	32%

Net revenue increased $21.0 million, or 30%, for the three months ended March 31, 2010, compared to the three months ended March 31, 2009. The majority of this increase was attributable to an increase in revenue from our financial services client vertical and, to a lesser extent, our other client verticals. Financial services client vertical revenue increased $17.1 million, or 70%, for the three months ended March 31, 2010 compared to the three months ended March 31, 2009. The increase in financial services client vertical revenue was driven by lead and click volume increases at relatively steady prices. Our other client verticals' revenue increased $4.2 million, or 64%, for the three months ended March 31, 2010, compared to the three months ended March 31, 2009. The increase in our other client vertical revenue was primarily affected by growth in our B2B client vertical revenue resulting from our acquisition of the website business of Internet.com, a division of WebMediaBrands, Inc., in November 2009 and, to a lesser extent, due to growth in our home services client vertical due to the improved economic environment. Our education client vertical revenue remained flat, declining $0.4 million, or 1%, for the three months ended March 31, 2010, compared to the corresponding 2009 period. The slight decline was driven by a decline in revenue from a significant client, almost entirely offset by revenue growth from other education clients.

Net revenue increased $53.6 million, or 28%, for the nine months ended March 31, 2010, compared to the nine months ended March 31, 2009. The majority of this increase was attributable to an increase in revenue from our financial services client vertical and, to a lesser extent, our education and other client verticals. Financial services client vertical revenue increased $47.5 million, or 82%, for the nine months ended March 31, 2010 compared to the nine months ended March 31, 2009. The increase in financial services client vertical revenue was driven by lead and click volume increases at relatively steady prices. Our education client vertical revenue increased $3.0 million, or 3%, for the nine months ended March 31, 2010, compared to the corresponding 2009 period, due to lead volume increases. The increase in our education client vertical revenue was largely offset by a decline in revenue from a significant client. Our other client verticals' revenue increased $3.1 million, or 13%, for the nine months ended March 31, 2010, compared to the corresponding 2009 period. The increase in revenue from our other client verticals was primarily due to the acquisition of the website business of ElderCarelink.com in April 2009 within our medical client vertical and the acquisition of the website business of Internet.com within our B2B client vertical in November 2009.

Cost of Revenue

Cost of revenue increased $19.5 million, or 42%, for the three months ended March 31, 2010, compared to the three months ended March 31, 2009. The increase in cost of revenue was driven by a $12.8 million increase in media costs due to lead and click volume increases and, to a lesser extent, increased personnel costs of $4.2 million due to a 46% increase in average headcount and related compensation expense increases, as well as increased amortization of acquisition-related intangible assets of $0.9 million resulting from acquisitions in the previous twelve months. The increase in average headcount was affected by the acquisition of the website business of Internet.com, as well as by a reduction in workforce in the third quarter of fiscal year 2009. Gross margin, which is the difference between net revenue and cost of revenue as a percentage of net revenue, declined from 33% in the three months ended March 31, 2009 to 27% in the three months ended March 31, 2010, due to the above-mentioned increase in headcount and related compensation expense, as well as due to a higher mix of traffic from third parties.

Cost of revenue increased $42.8 million, or 32%, for the nine months ended March 31, 2010, compared to the nine months ended March 31, 2009. The increase in cost of revenue was driven by a $31.9 million increase in media costs due to lead and click volume increases and, to a lesser extent, increased personnel costs of $6.7 million due to a 7% increase in average headcount and related compensation expense increases, as well as increased amortization of acquisition-related intangible assets of $1.5 million resulting from acquisitions in the previous twelve months. The increase in average headcount was affected by the acquisition of the website business of Internet.com, as well as by a reduction in workforce in the third quarter of fiscal year 2009. Gross margin declined from 30% in the nine months ended March 31, 2009 to 28% in the nine months ended March 31, 2010, due to a higher mix of traffic from third parties. Gross margin was further affected by the above-mentioned increase in headcount and related compensation expense.

Operating Expenses

	Three Months Ended March 31,		Nine Months Ended March 31,		Three-Month % Change	Nine-Month % Change
	2010	2009	2010	2009		
	(In thousands)					
Product development	$ 5,325	$ 3,512	$ 14,534	$ 10,992	52%	32%
Sales and marketing	4,575	3,594	12,190	12,017	27%	1%
General and administrative	4,467	2,865	14,111	9,772	56%	44%
Operating expenses	$ 14,367	$ 9,971	$ 40,835	$ 32,781	44%	25%

Product Development Expenses

Product development expenses increased $1.8 million, or 52%, for the three months ended March 31, 2010, compared to the three months ended March 31, 2009, due to increased personnel costs. The increase in personnel costs is attributable primarily to increased compensation expense of $1.0 million and increased stock-based compensation expense of $510,000. The increase in compensation expense is due to a 38% increase in average headcount affected by a reduction in workforce in the third quarter of fiscal year 2009, additional hiring in connection with development projects, increased performance bonus expense due to the achievement of specified financial metrics for the year-to date period and an increase in the number of individuals eligible for such bonus.

Product development expenses increased $3.5 million, or 32%, for the nine months ended March 31, 2010, compared to the nine months ended March 31, 2009, due to increased personnel costs and, to a lesser extent, increased professional services fees. The increase in personnel costs is attributable to increased compensation expense of $1.7 million and increased stock-based compensation expense of $1.1 million. The increased performance bonus expense is due to the achievement of specified financial metrics for the year-to-date period, as well as an increase in the number of individuals eligible for such bonus. The increase in compensation expense is due to increased performance bonus expense due to the achievement of specified financial metrics for the year-to-date period and an increase in the number of individuals eligible for such bonus, as well as a 12% increase in average headcount affected by a reduction in workforce in the third quarter of fiscal 2009 and additional hiring in connection with development projects. Professional services fees increased $394,000 also due to these development projects.

Sales and Marketing Expenses

Sales and marketing expenses increased $1.0 million, or 27%, for the three months ended March 31, 2010, compared to the three months ended March 31, 2009 due to increased personnel costs. The increase in personnel costs is due to increased stock-based compensation expense of $708,000 and, to a lesser extent, increased compensation expense of $295,000. The increase in compensation expense is due to increased performance bonus and commission expenses associated with the achievement of specified financial metrics for the year-to-date period, partially offset by a 17% decline in average headcount.

Sales and marketing expenses increased $173,000, or 1%, for the nine months ended March 31, 2010, compared to the nine months ended March 31, 2009 due to increased personnel costs. The increase in personnel costs is due to increased stock-based compensation expense of $1.2 million, partially offset by a decline in compensation expense of $0.9 million. The decline in compensation expense is due to a decrease of 21% in average headcount.

General and Administrative Expenses

General and administrative expenses increased $1.6 million, or 56%, for the three months ended March 31, 2010, compared to the three months ended March 31, 2009, due to increased professional service fees of $618,000, increased compensation expense of $323,000, increased stock-based compensation expense of $251,000 and various smaller increases in general and administrative expenses. Professional service fees increased due to our continued investment in corporate infrastructure and related expenses associated with being a public company, including increased legal, accounting and tax costs, investor relations, higher insurance premiums and compliance costs. Compensation expense increased due to a 31% increase in average headcount and increased performance bonus expense associated with the achievement of specified financial metrics for the year-to-date period.

General and administrative expenses increased $4.3 million, or 44%, for the nine months ended March 31, 2010, compared to the nine months ended March 31, 2009, due to increased stock-based compensation expense of $2.9 million, increased professional services fees of $524,000, increased compensation expense of $620,000, direct acquisition costs of $281,000 and various smaller increases in general and administrative expenses, partially offset by a decline in legal expenses of $544,000. The increase in stock-based compensation expense was driven by the grant of fully-vested options to certain members of our board of directors in conjunction with an increase in the fair value our common stock. Professional services fees increased due to our continued investment in corporate infrastructure and related expenses associated with being a public company, including increased accounting and tax costs, investor relations, higher insurance premiums and compliance costs. The increase in compensation expense is due to a 13% increase in average headcount due to our continued investment in corporate infrastructure, as well as increased performance bonus expense associated with the achievement of specified financial metrics for the year-to-date period. The decline in legal expense is due to the settlement of an ongoing legal matter in the fourth quarter of fiscal year 2009.

Interest and Other Income (Expense), Net

	Three Months Ended March 31,		Nine Months Ended March 31,		Three-Month % Change	Nine-Month % Change
	2010	2009	2010	2009		
	(In thousands)					
Interest income	$ 16	$ 44	$ 33	$ 221	(64)%	(85)%
Interest expense	(1,302)	(879)	(2,931)	(2,749)	48%	7%
Other income (expense), net	(64)	(16)	221	(256)	(300)%	186%
	$ (1,350)	$ (851)	$ (2,677)	$ (2,784)	(59)%	4%

Interest and other income (expense), net declined $499,000, or 59%, for the three months ended March 31, 2010, compared to the three months ended March 31, 2009, due to the draw down on our credit facility.

Interest and other income (expense), net increased $107,000, or 4%, for the nine months ended March 31, 2010, compared to the nine months ended March 31, 2009, due to an increase in other income (expense) of $477,000, partially offset by an increase in interest expense of $182,000 and a decline in interest income of $188,000. Other income (expense), net increased due to a legal settlement payment received in the second quarter of fiscal year 2010, as well as foreign exchange gains recorded in connection with the weakening of the U.S. dollar against the Canadian dollar. The decline in interest income is attributable to lower interest rates on investments. The increase in interest expense is attributable to the draw down on our credit facility, partially offset by lower non-cash imputed interest on acquisition-related notes payable.

Provision for Taxes

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
	(In thousands)			
Provision for taxes	$ 3,538	$ 5,818	$ 10,731	$ 10,084
Effective tax rate	40%	48%	43%	46%

The decrease in our effective tax rate for the three and nine months ended March 31, 2010 compared to the three and nine months ended March 31, 2009, was driven by a decrease in our deferred tax assets in fiscal 2009 due to state tax law changes and the release of tax-related reserves in fiscal 2010.

Liquidity and Capital Resources

Our primary operating cash requirements include the payment of media costs, personnel costs, costs of information technology systems and office facilities.

Our principal sources of liquidity as of March 31, 2010, consisted of cash and cash equivalents of $175.3 million and our revolving credit facility which had $98.2 million available for borrowing. We believe that our existing cash, cash equivalents, available borrowings under the credit facility and cash generated from operations will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $30.0 million and $25.9 million in the nine months ended March 31, 2010 and 2009, respectively. Our net cash provided by operating activities is primarily the result of our net income adjusted by non-cash expenses such as depreciation and amortization, stock-based compensation expense and changes in working capital components, and is influenced by the timing of cash collections from our clients and cash payments for purchases of media and other expenses.

Net cash provided by operating activities in the nine months ended March 31, 2010, was due to net income of $14.2 million, non-cash depreciation, amortization and stock-based compensation expense of $23.9 million and an increase in accounts payable and accrued liabilities of $10.0 million, partially offset by an increase in accounts receivable of $11.3 million, an increase in prepaid expenses and other assets of $5.3 million and an increase in excess tax benefits from the exercise of stock options of $1.8 million. The increase in accounts receivable and accrued liabilities, which include accrued media costs, is attributable to increased revenue, as well as timing of receipts. The increase in prepaid expenses and other assets and accounts payable are primarily due to timing of payments.

Net cash provided by operating activities in the nine months ended March 31, 2009 was driven by net income of $12.0 million, non-cash depreciation, amortization and stock-based compensation expense of $16.8 million, a net increase in accounts payable and accrued liabilities of $1.9 million and an increase in our provision for sales returns and doubtful accounts receivable of $1.4 million, partially offset by an increase in accounts receivable of $6.5 million. The increase in accounts receivable is attributable to increased revenue, as well as timing of receipts. The net increase in accounts payable and accrued liabilities is due to timing of payments. The increase in our provision for sales returns is due to the adverse market conditions during the second half of fiscal year 2009.

Net Cash Used in Investing Activities

Our investing activities include acquisitions of media websites and businesses; purchases, sales and maturities of marketable securities; capital expenditures; and capitalized internal development costs. Net cash used in investing activities was $56.0 million and $18.9 million in the nine months ended March 31, 2010 and 2009, respectively.

Cash used in investing activities in the nine months ended March 31, 2010 was primarily due to our acquisitions of Internet.com, Insure.com and HSH. We acquired the website business of the Internet.com division of WebMediaBrands, Inc. for an initial $16.0 million cash payment. We acquired the website business of Insure.com from LifeQuotes, Inc., an Illinois-based online insurance quote service and brokerage business, for an initial $15.0 million cash payment. We acquired HSH, a New Jersey-based online company providing comprehensive mortgage rate information, for an initial $6.0 million cash payment. Cash used in investing activities in the nine months ended March 31, 2010 was also affected by purchases of the operations of 22 other website publishing businesses for an aggregate of $14.6 million in cash payments, which included $4.5 million of contingent consideration related to the acquisition of Surehits in fiscal year 2008.

Cash used in investing activities in the nine months ended March 31, 2009 was affected by the acquisition of U.S. Citizens for Fair Credit Card Terms, Inc, or CardRatings, an Arkansas-based online marketing company, for an initial cash payment of $10.4 million, as well as purchases of the operations of 25 other website publishing businesses for $10.1 million in cash payments. Sales and maturities of marketable securities contributed $2.3 million to cash flows from investing activities in the nine months ended March 31, 2009.

Capital expenditures and internal software development costs totaled $3.2 million and $2.1 million in the nine months ended December 31, 2010 and 2009, respectively.

Net Cash Provided by or Used in Financing Activities

Cash provided by financing activities was $176.2 million in the nine months ended March 31, 2010, compared to $1.6 million of cash used in financing activities in nine months ended March 31, 2009. Cash provided by financing activities in the nine months ended March 31, 2010 was primarily due to proceeds from our IPO, net of issuance costs, of $138.1 million and the draw-down of our credit facility of $43.3 million, partially offset by $7.9 million in principal payments on acquisition-related notes payable and our term loan.

Cash used in financing activities in the nine months ended March 31, 2009 was due to $9.5 million in principal payments on acquisition-related notes payable and our term loan, as well as $1.4 million paid to repurchase our common stock, offset by proceeds from a draw-down of our credit facility of $8.6 million.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheet.

Contractual Obligations

Our contractual obligations relate primarily to borrowings under credit facilities, notes payables, operating leases and purchase obligations.

New Credit Facility

In January 2010, we replaced our existing credit facility with a credit facility totaling $175.0 million. The new facility consist of a $35.0 million four-year term loan, with principal amortization of 10%, 15%, 35% and 40% annually, and a $140.0 million four-year revolving credit line with an optional increase of $50.0 million. Borrowings under the credit facility are collateralized by our assets and interest is payable quarterly at specified margins above either LIBOR or the Prime Rate. The interest rate varies dependent upon the ratio of funded debt to adjusted EBITDA and ranges from LIBOR + 2.125% to 2.875% or Prime + 1.00% to 1.50% for the revolving credit line and from LIBOR + 2.50% to 3.25% or Prime + 1.00% to 1.50% for the term loan. The revolving credit line also requires a quarterly facility fee of 0.375% of the revolving credit line. The credit facility expires in January 2014. The loan and revolving credit line agreement restricts our ability to raise additional debt financing and pay dividends. In addition, we are required to maintain financial ratios computed as follows:

1. Quick ratio: ratio of (i) the sum of unrestricted cash and cash equivalents and trade receivables less than 90 days from invoice date to (ii) current liabilities and face amount of any letters of credit less the current portion of deferred revenue.

2. Fixed charge coverage: ratio of (i) trailing twelve months of Adjusted EBITDA to (ii) the sum of capital expenditures, net cash interest expense, cash taxes, cash dividends and trailing twelve months payments of indebtedness. Payment of unsecured indebtedness is excluded to the degree that sufficient unused revolving credit line exists such that the relevant debt payment could be made from the credit facility.

3. Funded debt to Adjusted EBITDA: ratio of (i) the sum of all obligations owed to lending institutions, the face amount of any letters of credit, indebtedness owed in connection with acquisition-related notes and indebtedness owed in connection with capital lease obligations to (ii) trailing twelve months of Adjusted EBITDA.

The credit facility also requires us to comply with other non-financial covenants. We were in compliance with the financial ratios as of March 31, 2010 and June 30, 2009.

New Lease

As the existing lease for our corporate headquarters located at 1051 Hillsdale Boulevard, Foster City, California expires in October 2010, we entered into a new lease agreement in February 2010 for approximately 63,998 square feet of office space located at 950 Tower Lane, Foster City, California. The term of the lease begins on November 1, 2010 and expires on the last day of the 96th full calendar month commencing on or after November 1, 2010. The monthly base rent will be abated for the first 12 calendar months under the lease. Thereafter the base rent will be $118,000 through the 24th calendar month of the term of the lease, after which the monthly base rent will increase to $182,000 for the subsequent 12 months. In the following years the monthly base rent will increase approximately 3% after each 12-month anniversary during the term of the lease, including any extensions under our options to extend.

We have two options to extend the term of the lease for one additional year for each option following the expiration date of the lease or renewal term, as applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

To date, our international client agreements have been denominated solely in U.S. dollars, and accordingly, we have not been exposed to foreign currency exchange rate fluctuations related to client agreements, and do not currently engage in foreign currency hedging transactions. However, as the local accounts for our India and Canada operations are maintained in the local currency of India and Canada, we are subject to foreign currency exchange rate fluctuations associated with remeasurement to U.S. dollars. A hypothetical change of 10% in foreign currency exchange rates would not have had a material impact on our consolidated financial condition or results of operations for the nine months ended March 31, 2010 and the year ended June 30, 2009.

Interest Rate Risk

We invest our cash, cash equivalents and short-term investments primarily in money market funds and short-term deposits with original maturities of less than three months. The unrestricted cash, cash equivalents and short-term investments are held for working capital purposes and acquisition financing. We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in the fair value as a result of changes in interest rates due to the short-term nature of our cash equivalents and short-term investments. Declines in interest rates would reduce future investment income. However, a hypothetical decline of 1% in the interest rate on our cash, cash equivalents and short-term investments would not have a material effect on our consolidated financial condition or results of operations.

As of March 31, 2010, we had an outstanding credit facility with a total borrowing capacity of $175.0 million. Interest on borrowings under the credit facility is payable quarterly at specified margins above either LIBOR or the Prime Rate. Our exposure to interest rate risk under the credit facility will depend on the extent to which we utilize such facility. As of March 31, 2010, we had $76.8 million outstanding under our credit facility. A hypothetical increase of 1% in the LIBOR-based interest rate on our credit facility would result in an increase in our quarterly interest expense of $0.2 million, assuming consistent borrowing levels.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2010. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2010, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this Quarterly Report on Form 10-Q. If any of such risks actually occur, our business, operating results or financial condition could be adversely affected. In those cases, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business and Industry

We operate in an immature industry and have a relatively new business model, which makes it difficult to evaluate our business and prospects.

We derive nearly all of our revenue from the sale of online marketing and media services, which is an immature industry that has undergone rapid and dramatic changes in its short history. The industry in which we operate is characterized by rapidly-changing Internet media, evolving industry standards, and changing user and client demands. Our business model is also evolving and is distinct from many other companies in our industry, and it may not be successful. As a result of these factors, the future revenue and income potential of our business is uncertain. Although we have experienced significant revenue growth in recent periods, we may not be able to sustain current revenue levels or growth rates. Any evaluation of our business and our prospects must be considered in light of these factors and the risks and uncertainties often encountered by companies in an immature industry with an evolving business model such as ours. Some of these risks and uncertainties relate to our ability to:

- maintain and expand client relationships;
- sustain and increase the number of visitors to our websites;
- sustain and grow relationships with third-party website publishers and other sources of web visitors;
- manage our expanding operations and implement and improve our operational, financial and management controls;
- raise capital at attractive costs, or at all;
- acquire and integrate websites and other businesses;
- successfully expand our footprint in our existing client verticals and enter new client verticals;
- respond effectively to competition and potential negative effects of competition on profit margins;
- attract and retain qualified management, employees and independent service providers;
- successfully introduce new processes and technologies and upgrade our existing technologies and services;
- protect our proprietary technology and intellectual property rights; and
- respond to government regulations relating to the Internet, personal data protection, email, software technologies and other aspects of our business.

If we are unable to address these risks, our business, results of operations and prospects could suffer.

If we do not effectively manage our growth, our operating performance will suffer and we may lose clients.

We have experienced rapid growth in our operations and operating locations, and we expect to experience continued growth in our business, both through acquisitions and internal growth. This growth has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure. In particular, continued rapid growth and acquisitions may make it more difficult for us to accomplish the following:

- successfully scale our technology to accommodate a larger business and integrate acquisitions;
- maintain our standing with key vendors, including Internet search companies and third-party website publishers;
- maintain our client service standards; and
- develop and improve our operational, financial and management controls and maintain adequate reporting systems and procedures.

In addition, our personnel, systems, procedures and controls may be inadequate to support our future operations. The improvements required to manage our growth will require us to make significant expenditures, expand, train and manage our employee base and allocate valuable management resources. If we fail to effectively manage our growth, our operating performance will suffer and we may lose clients, key vendors and key personnel.

We depend upon Internet search companies to attract a significant portion of the visitors to our websites, and any change in the search companies' search algorithms or perception of us or our industry could result in our websites being listed less prominently in either paid or algorithmic search result listings, in which case the number of visitors to our websites and our revenue could decline.

We depend in significant part on various Internet search companies, such as Google, Microsoft and Yahoo!, and other search websites to direct a significant number of visitors to our websites to provide our online marketing services to our clients. Search websites typically provide two types of search results, algorithmic and paid listings. Algorithmic, or organic, listings are determined and displayed solely by a set of formulas designed by search companies. Paid listings can be purchased and then are displayed if particular words are included in a user's Internet search. Placement in paid listings is generally not determined solely on the bid price, but also takes into account the search engines' assessment of the quality of website featured in the paid listing and other factors. We rely on both algorithmic and paid search results, as well as advertising on other websites, to direct a substantial share of the visitors to our websites.

Our ability to maintain the number of visitors to our websites from search websites and other websites is not entirely within our control. For example, Internet search websites frequently revise their algorithms in an attempt to optimize their search result listings or to maintain their internal standards and strategies. Changes in the algorithms could cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. Throughout the years we have experienced fluctuations in the search result rankings for a number of our websites. We may make decisions that are suboptimal regarding the purchase of paid listings or our proprietary bid management technologies may contain defects or otherwise fail to achieve their intended results, either of which could also reduce the number of visitors to our websites or cause us to incur additional costs. We may also make decisions that are suboptimal regarding the placement of advertisements on other websites and pricing, which could increase our costs to attract such visitors or cause us to incur unnecessary costs. Our approaches may be deemed similar to those of our competitors and others in our industry that Internet search websites may consider to be unsuitable or unattractive. Internet search websites could deem our content to be unsuitable or below standards or less attractive or worthy than those of other or competing websites. In either such case, our websites may receive less favorable placement. Any reduction in the number of visitors to our websites would negatively affect our ability to earn revenue. If visits to our websites decrease, we may need to resort to more costly sources to replace lost visitors, and such increased expense could adversely affect our business and profitability.

Our future growth depends in part on our ability to identify and complete acquisitions.

Our growth over the past several years is in significant part due to the large number of acquisitions we have completed. Since the beginning of fiscal year 2007, we have completed over 100 acquisitions of third-party website publishing businesses and other businesses that are complementary to our own. We intend to pursue acquisitions of complementary businesses and technologies to expand our capabilities, client base and media. We have evaluated, and expect to continue to evaluate, a wide array of potential strategic transactions. However, we may not be successful in identifying suitable acquisition candidates or be able to complete acquisitions of such candidates. In addition, we may not be able to obtain financing on favorable terms, or at all, to fund acquisitions that we may wish to pursue.

Any acquisitions that we complete will involve a number of risks. If we are unable to address and resolve these risks successfully, such acquisitions could harm our business, results of operations and financial condition.

The anticipated benefit of any acquisitions that we complete may not materialize. In addition, the process of integrating acquired businesses or technologies may create unforeseen operating difficulties and expenditures. Some of the areas where we may face acquisition-related risks include:

- diversion of management time and potential business disruptions;
- difficulties integrating and supporting acquired products or technologies;
- expenses, distractions and potential claims resulting from acquisitions, whether or not they are completed;
- retaining and integrating employees from any businesses we may acquire;
- issuance of dilutive equity securities, incurrence of debt or reduction in cash balances;
- integrating various accounting, management, information, human resource and other systems to permit effective management;
- incurring possible impairment charges, contingent liabilities, amortization expense or write-offs of goodwill;
- unexpected capital expenditure requirements;
- insufficient revenue to offset increased expenses associated with acquisitions;
- underperformance problems associated with acquisitions; and
- becoming involved in acquisition-related litigation.

Foreign acquisitions would involve risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political, administrative and management, and regulatory risks associated with specific countries. We may not be able to address these risks successfully, or at all, without incurring significant costs, delay or other operating problems. Our inability to resolve such risks could harm our business and results of operations.

A substantial portion of our revenue is generated from a limited number of clients and, if we lose a major client, our revenue will decrease and our business and prospects would be adversely impacted.

A substantial portion of our revenue is generated from a limited number of clients. Our top three clients accounted for 32% and 24% of our net revenue for the fiscal year 2009 and the nine-month period ended March 31, 2010, respectively. Our clients can generally terminate their contracts with us at any time, with limited prior notice or penalty. DeVry Inc., one of our large clients, has recently retained an advertising agency and has reduced its purchases of leads from us. DeVry and other clients may reduce their current level of business with us, leading to lower revenue. We expect that a limited number of clients will continue to account for a significant percentage of our revenue, and the loss of, or material reduction in, their marketing spending with us could decrease our revenue and harm our business.

We are dependent on two market verticals for a majority of our revenue.

To date, we have generated a majority of our revenue from clients in our education vertical. We expect that a majority of our revenue in fiscal year 2010 will be generated from clients in our education and financial services verticals. A downturn in economic or market conditions adversely affecting the education industry or the financial services industry would negatively impact our business and financial condition. Over the past year and a half, education marketing spending has remained relatively stable, but this stability may not continue. Marketing budgets for clients in our education vertical are affected by a number of factors, including the availability of student financial aid, the regulation of for-profit financial institutions and economic conditions. Over the past year, some segments of the financial services industry, particularly mortgages, credit cards and deposits, have seen declines in marketing budgets given the difficult market conditions. These declines may continue or worsen. In addition, the education and financial services industries are highly regulated. Changes in regulations or government actions may negatively impact our clients' marketing practices and budgets and, therefore, adversely affect our financial results.

The United States Higher Education Act, administered by the U.S. Department of Education, provides that to be eligible to participate in Federal student financial aid programs, an educational institution must enter into a program participation agreement with the Secretary of the Department of Education. The agreement includes a number of conditions with which an institution must comply to be granted initial and continuing eligibility to participate. Among those conditions is a prohibition on institutions providing to any individual or entity engaged in recruiting or admission activities any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments. The regulations promulgated under the Higher Education Act specify a number of types of compensation, or "safe harbors," that do not constitute incentive compensation in violation of this agreement. One of these safe harbors permits an institution to award incentive compensation for Internet-based recruitment and admission activities that provide information about the institution to prospective students, refer prospective students to the institution, or permit prospective students to apply for admission online. From November 2009 until January 2010, the U.S. Department of Education engaged in a negotiated rulemaking process during which it suggested repealing all existing safe harbors regarding incentive compensation in recruiting, including the Internet safe harbor. Because the negotiated rulemaking did not reach consensus on proposed regulations, the Department of Education has announced that it will be issuing proposed regulations on incentive compensation and other matters. The statutory deadline for publication of final regulations is November 1, 2010. While we do not believe that compensation for our services constitutes incentive compensation under the Higher Education Act, the elimination of the safe harbors could create uncertainty for our education clients and impact the way in which we are paid by our clients and, accordingly, could reduce the amount of revenue we generate from the education client vertical.

In addition, some of our clients have had and may in the future have issues regarding their academic accreditation, which can adversely affect their ability to offer certain degree programs. If any of our significant education clients lose their accreditation, they may reduce or eliminate their marketing spending, which could adversely affect our financial results.

If we are unable to retain the members of our management team or attract and retain qualified management team members in the future, our business and growth could suffer.

Our success and future growth depend, to a significant degree, on the continued contributions of the members of our management team. Each member of our management team is an at-will employee and may voluntarily terminate his or her employment with us at any time with minimal notice. We also may need to hire additional management team members to adequately manage our growing business. We may not be able to retain or identify and attract additional qualified management team members. Competition for experienced management-level personnel in our industry is intense. Qualified individuals are in high demand, particularly in the Internet marketing industry, and we may incur significant costs to attract and retain them. Members of our management team have also become, or will soon become, substantively vested in their stock option grants. Management team members may be more likely to leave as a result of the recent establishment of a public market for our common stock. If we lose the services of any of our senior managers or if we are unable to attract and retain additional qualified senior managers, our business and growth could suffer.

We need to hire and retain additional qualified personnel to grow and manage our business. If we are unable to attract and retain qualified personnel, our business and growth could be seriously harmed.

Our performance depends on the talents and efforts of our employees. Our future success will depend on our ability to attract, retain and motivate highly skilled personnel in all areas of our organization and, in particular, in our engineering/technology, sales and marketing, media, finance and legal/regulatory teams. We plan to continue to grow our business and will need to hire additional personnel to support this growth. We have found it difficult from time to time to locate and hire suitable personnel. If we experience similar difficulties in the future, our growth may be hindered. Qualified individuals are in high demand, particularly in the Internet marketing industry, and we may incur significant costs to attract and retain them. Many of our employees have also become, or will soon become, substantially vested in their stock option grants. Employees may be more likely to leave us as a result of the recent establishment of a public market for our common stock. If we are unable to attract and retain the personnel we need to succeed, our business and growth could be harmed.

We depend on third-party website publishers for a significant portion of our visitors, and any decline in the supply of media available through these websites or increase in the price of this media could cause our revenue to decline or our cost to reach visitors to increase.

A significant portion of our revenue is attributable to visitors originating from advertising placements that we purchase on third-party websites. In many instances, website publishers can change the advertising inventory they make available to us at any time and, therefore, impact our revenue. In addition, website publishers may place significant restrictions on our offerings. These restrictions may prohibit advertisements from specific clients or specific industries, or restrict the use of certain creative content or formats. If a website publisher decides not to make advertising inventory available to us, or decides to demand a higher revenue share or places significant restrictions on the use of such inventory, we may not be able to find advertising inventory from other websites that satisfy our requirements in a timely and cost-effective manner. In addition, the number of competing online marketing service providers and advertisers that acquire inventory from websites continues to increase. Consolidation of Internet advertising networks and website publishers could eventually lead to a concentration of desirable inventory on a small number of websites or networks, which could limit the supply of inventory available to us or increase the price of inventory to us. We cannot assure you that we will be able to acquire advertising inventory that meets our clients' performance, price and quality requirements. If any of these things occur, our revenue could decline or our operating costs may increase.

We have incurred a significant amount of debt, which may limit our ability to fund general corporate requirements and obtain additional financing, limit our flexibility in responding to business opportunities and competitive developments and increase our vulnerability to adverse economic and industry conditions.

As of March 31, 2010, we had an outstanding term loan with a principal balance of $35.0 million and a revolving credit line pursuant to which we can borrow up to an additional $140.0 million. As of such date, we had drawn $41.8 million from our revolving credit line. As of March 31, 2010, we also had outstanding notes to sellers arising from numerous acquisitions in the total principal amount of $28.6 million. As a result of our debt:

- we may not have sufficient liquidity to respond to business opportunities, competitive developments and adverse economic conditions;
- we may not have sufficient liquidity to fund all of these costs if our revenue declines or costs increase; and
- we may not have sufficient funds to repay the principal balance of our debt when due.

Our debt obligations may also impair our ability to obtain additional financing, if needed. Our indebtedness is secured by substantially all of our assets, leaving us with limited collateral for additional financing. Moreover, the terms of our indebtedness restrict our ability to take certain actions, including the incurrence of additional indebtedness, mergers and acquisitions, investments and asset sales. In addition, even if we are able to raise needed equity financing, we are required to use a portion of the net proceeds of certain types of equity financings to repay the outstanding balance of our term loan. A failure to pay interest or indebtedness when due could result in a variety of adverse consequences, including the acceleration of our indebtedness. In such a situation, it is unlikely that we would be able to fulfill our obligations under our credit facilities or repay the accelerated indebtedness or otherwise cover our costs.

The severe economic downturn in the United States poses additional risks to our business, financial condition and results of operations.

The United States has experienced, and is continuing to experience, a severe economic downturn. The credit crisis, deterioration of global economies, potential insolvency of one or more countries globally, high unemployment and reduced equity valuations all create risks that could harm our business. If macroeconomic conditions worsen, we are not able to predict the impact such worsening conditions will have on the online marketing industry in general, and our results of operations specifically. Clients in particular verticals such as financial services, particularly mortgage, credit cards and deposits, small- and medium-sized business customers and home services are facing very difficult conditions and their marketing spend has been negatively affected. These conditions could also damage our business opportunities in existing markets, and reduce our revenue and profitability. While the effect of these and related conditions poses widespread risk across our business, we believe that it may particularly affect our efforts in the mortgage, credit cards and deposits, small- and medium-sized business and home services verticals, due to reduced availability of credit for households and business and reduced household disposable income. Economic conditions may not improve or may worsen.

Our operating results have fluctuated in the past and may do so in the future, which makes our results of operations difficult to predict and could cause our operating results to fall short of analysts' and investors' expectations.

While we have experienced continued revenue growth, our prior quarterly and annual operating results have fluctuated due to changes in our business, our industry and the general economic climate. Similarly, our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are beyond our control. Our fluctuating results could cause our performance to be below the expectations of securities analysts and investors, causing the price of our common stock to fall. Because our business is changing and evolving, our historical operating results may not be useful to you in predicting our future operating results. Factors that may increase the volatility of our operating results include the following:

- changes in demand and pricing for our services;
- changes in our pricing policies, the pricing policies of our competitors, or the pricing of Internet advertising or media;
- the addition of new clients or the loss of existing clients;
- changes in our clients' advertising agencies or the marketing strategies our clients or their advertising agencies employ;
- changes in the economic prospects of our clients or the economy generally, which could alter current or prospective clients' spending priorities, or could increase the time or costs required to complete sales with clients;
- changes in the availability of Internet advertising or the cost to reach Internet visitors;
- changes in the placement of our websites on search engines;
- the introduction of new product or service offerings by our competitors; and
- costs related to acquisitions of businesses or technologies.

Our quarterly revenue and operating results may fluctuate significantly from quarter to quarter due to seasonal fluctuations in advertising spending.

The timing of our revenue, particularly from our education client vertical, is affected by seasonal factors. For example, the first quarter of each fiscal year typically demonstrates seasonal strength and our second fiscal quarter typically demonstrates seasonal weakness. In our second fiscal quarter, our education clients often take fewer leads due to holiday staffing and lower availability of lead supply caused by higher media pricing for some forms of media during the holiday period, causing our revenue to be sequentially lower. Our fluctuating results could cause our performance to be below the expectations of securities analysts and investors, causing the price of our common stock to fall. To the extent our rate of growth slows, we expect that the seasonality in our business may become more apparent and may in the future cause our operating results to fluctuate to a greater extent.

We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available or may not be available on favorable terms and our business and financial condition could therefore be adversely affected.

While we anticipate that our existing cash and cash equivalents, together with availability under our existing credit facility, cash balances and cash from operations, will be sufficient to fund our operations for at least the next 12 months, we may need to raise additional capital to fund operations in the future or to finance acquisitions. If we seek to raise additional capital in order to meet various objectives, including developing future technologies and services, increasing working capital, acquiring businesses and responding to competitive pressures, capital may not be available on favorable terms or may not be available at all. In addition, pursuant to the terms of our credit facility, we are required to use a portion of the net proceeds of certain equity financings to repay the outstanding balance of our term loan. Lack of sufficient capital resources could significantly limit our ability to take advantage of business and strategic opportunities. Any additional capital raised through the sale of equity or debt securities with an equity component would dilute our stock ownership. If adequate additional funds are not available, we may be required to delay, reduce the scope of, or eliminate material parts of our business strategy, including potential additional acquisitions or development of new technologies.

If we fail to compete effectively against other online marketing and media companies and other competitors, we could lose clients and our revenue may decline.

The market for online marketing is intensely competitive. We expect this competition to continue to increase in the future. We perceive only limited barriers to entry to the online marketing industry. We compete both for clients and for limited high quality advertising inventory. We compete for clients on the basis of a number of factors, including return on marketing expenditures, price, and client service.

We compete with Internet and traditional media companies for a share of clients' overall marketing budgets, including:

- online marketing or media services providers such as Monster Worldwide in the education vertical and Bankrate in financial services;
- offline and online advertising agencies;
- major Internet portals and search engine companies with advertising networks such as Google, Yahoo!, MSN, and AOL;
- other online marketing service providers, including online affiliate advertising networks and industry-specific portals or lead generation companies;
- website publishers with their own sales forces that sell their online marketing services directly to clients;
- in-house marketing groups at current or potential clients;
- offline direct marketing agencies; and
- television, radio and print companies.

Competition for web traffic among websites and search engines, as well as competition with traditional media companies, could result in significant price pressure, declining margins, reductions in revenue and loss of market share. In addition, as we continue to expand the scope of our services, we may compete with a greater number of websites, clients and traditional media companies across an increasing range of different services, including in vertical markets where competitors may have advantages in expertise, brand recognition and other areas. Large Internet companies with brand recognition, such as Google, Yahoo!, MSN, and AOL, have significant numbers of direct sales personnel and substantial proprietary advertising inventory and web traffic that provide a significant competitive advantage and have significant impact on pricing for Internet advertising and web traffic. The trend toward consolidation in the Internet advertising arena may also affect pricing and availability of advertising inventory and web traffic. Many of our current and potential competitors also enjoy other competitive advantages over us, such as longer operating histories, greater brand recognition, larger client bases, greater access to advertising inventory on high-traffic websites, and significantly greater financial, technical and marketing resources. As a result, we may not be able to compete successfully. If we fail to deliver results that are superior to those that other online marketing service providers achieve, we could lose clients and our revenue may decline.

If the market for online marketing services fails to continue to develop, our future growth may be limited and our revenue may decrease.

The online marketing services market is relatively new and rapidly evolving, and it uses different measurements than traditional media to gauge its effectiveness. Some of our current or potential clients have little or no experience using the Internet for advertising and marketing purposes and have allocated only limited portions of their advertising and marketing budgets to the Internet. The adoption of Internet advertising, particularly by those entities that have historically relied upon traditional media for advertising, requires the acceptance of a new way of conducting business, exchanging information and evaluating new advertising and marketing technologies and services. In particular, we are dependent on our clients' adoption of new metrics to measure the success of online marketing campaigns. We may also experience resistance from traditional advertising agencies who may be advising our clients. We cannot assure you that the market for online marketing services will continue to grow. If the market for online marketing services fails to continue to develop or develops more slowly than we anticipate, our ability to grow our business may be limited and our revenue may decrease.

Third-party website publishers can engage in unauthorized or unlawful acts that could subject us to significant liability or cause us to lose clients.

We generate a significant portion of our web visitors from media advertising that we purchase from third-party website publishers. Some of these publishers are authorized to display our clients' brands, subject to contractual restrictions. In the past, some of our third-party website publishers have engaged in activities that certain of our clients have viewed as harmful to their brands, such as displaying outdated descriptions of a client's offerings or outdated logos. Any activity by publishers that clients view as potentially damaging to their brands can harm our relationship with the client and cause the client to terminate its relationship with us, resulting in a loss of revenue. In addition, the law is unsettled on the extent of liability that an advertiser in our position has for the activities of third-party website publishers. We could be subject to costly litigation and, if we are unsuccessful in defending ourselves, damages for the unauthorized or unlawful acts of third-party website publishers.

Poor perception of our business or industry as a result of the actions of third parties could harm our reputation and adversely affect our business, financial condition and results of operations.

Our business is dependent on attracting a large number of visitors to our websites and providing leads and clicks to our clients, which depends in part on our reputation within the industry and with our clients. There are companies within our industry that regularly engage in activities that our clients' customers may view as unlawful or inappropriate. These activities, such as spyware or deceptive promotions, by third parties may be seen by clients as characteristic of participants in our industry and, therefore, may have an adverse effect on the reputation of all participants in our industry, including us. Any damage to our reputation, including from publicity from legal proceedings against us or companies that work within our industry, governmental proceedings, consumer class action litigation, or the disclosure of information security breaches or private information misuse, could adversely affect our business, financial condition and results of operations.

Because many of our client contracts can be cancelled by the client with little prior notice or penalty, the cancellation of one or more contracts could result in an immediate decline in our revenue.

We derive our revenue from contracts with our Internet marketing clients, most of which are cancelable with little or no prior notice. In addition, these contracts do not contain penalty provisions for cancellation before the end of the contract term. The non-renewal, renegotiation, cancellation, or deferral of large contracts, or a number of contracts that in the aggregate account for a significant amount of our revenue, is difficult to anticipate and could result in an immediate decline in our revenue.

Unauthorized access to or accidental disclosure of consumer personally-identifiable information that we collect may cause us to incur significant expenses and may negatively affect our credibility and business.

There is growing concern over the security of personal information transmitted over the Internet, consumer identity theft and user privacy. Despite our implementation of security measures, our computer systems may be susceptible to electronic or physical computer break-ins, viruses and other disruptions and security breaches. Any perceived or actual unauthorized disclosure of personally-identifiable information regarding website visitors, whether through breach of our network by an unauthorized party, employee theft, misuse or error or otherwise, could harm our reputation, impair our ability to attract website visitors and attract and retain our clients, or subject us to claims or litigation arising from damages suffered by consumers, and thereby harm our business and operating results. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information.

If we do not adequately protect our intellectual property rights, our competitive position and business may suffer.

Our ability to compete effectively depends upon our proprietary systems and technology. We rely on trade secret, trademark and copyright law, confidentiality agreements, technical measures and patents to protect our proprietary rights. We currently have one patent application pending in the United States and no issued patents. Effective trade secret, copyright, trademark and patent protection may not be available in all countries where we currently operate or in which we may operate in the future. Some of our systems and technologies are not covered by any copyright, patent or patent application. We cannot guarantee that: (i) our intellectual property rights will provide competitive advantages to us; (ii) our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties; (iii) our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak; (iv) any of the patents, trademarks, copyrights, trade secrets or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged, or abandoned; (v) competitors will not design around our protected systems and technology; or (vi) that we will not lose the ability to assert our intellectual property rights against others.

We are a party to a number of third-party intellectual property license agreements and in the future, may need to obtain additional licenses or renew existing license agreements. We are unable to predict with certainty whether these license agreements can be obtained or renewed on commercially reasonable terms, or at all.

We have from time to time become aware of third parties who we believe may have infringed on our intellectual property rights. The use of our intellectual property rights by others could reduce any competitive advantage we have developed and cause us to lose clients, third-party website publishers or otherwise harm our business. Policing unauthorized use of our proprietary rights can be difficult and costly. In addition, litigation, while it may be necessary to enforce or protect our intellectual property rights or to defend litigation brought against us, could result in substantial costs and diversion of resources and management attention and could adversely affect our business, even if we are successful on the merits.

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

We have devoted substantial resources to the development of our proprietary systems and technology. In order to protect our proprietary systems and technology, we enter into confidentiality agreements with our employees, consultants, independent contractors and other advisors. These agreements may not effectively prevent unauthorized disclosure of confidential information or unauthorized parties from copying aspects of our services or obtaining and using information that we regard as proprietary. Moreover, these agreements may not provide an adequate remedy in the event of such unauthorized disclosures of confidential information and we cannot assure you that our rights under such agreements will be enforceable. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could reduce any competitive advantage we have and cause us to lose clients, publishers or otherwise harm our business.

Third parties may sue us for intellectual property infringement which, if successful, could require us to pay significant damages or curtail our offerings.

We cannot be certain that our internally-developed or acquired systems and technologies do not and will not infringe the intellectual property rights of others. In addition, we license content, software and other intellectual property rights from third parties and may be subject to claims of infringement if such parties do not possess the necessary intellectual property rights to the products they license to us. We have in the past and may in the future be subject to legal proceedings and claims that we have infringed the patent or other intellectual property rights of a third-party. These claims sometimes involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents, if any, may therefore provide little or no deterrence. In addition, third parties have asserted and may in the future assert intellectual property infringement claims against our clients, which we have agreed in certain circumstances to indemnify and defend against such claims. Any intellectual property related infringement claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should we be found liable for infringement, we may be required to enter into licensing agreements, if available on acceptable terms or at all, pay substantial damages, or limit or curtail our systems and technologies. Moreover, we may need to redesign some of our systems and technologies to avoid future infringement liability. Any of the foregoing could prevent us from competing effectively and increase our costs.

Additionally, the laws relating to use of trademarks on the Internet are currently unsettled, particularly as they apply to search engine functionality. For example, other Internet marketing and search companies have been sued in the past for trademark infringement and other intellectual property-related claims for the display of ads or search results in response to user queries that include trademarked terms. The outcomes of these lawsuits have differed from jurisdiction to jurisdiction. For this reason, it is conceivable that certain of our activities could expose us to trademark infringement, unfair competition, misappropriation or other intellectual property related claims which could be costly to defend and result in substantial damages or otherwise limit or curtail our activities, and adversely affect our business or prospects.

Our proprietary technologies may include design or performance defects and may not achieve their intended results, either of which could impair our future revenue growth.

Our proprietary technologies are relatively new, and they may contain design or performance defects that are not yet apparent. The use of our proprietary technologies may not achieve the intended results as effectively as other technologies that exist now or may be introduced by our competitors, in which case our business could be harmed.

If we fail to keep pace with rapidly-changing technologies and industry standards, we could lose clients or advertising inventory and our results of operations may suffer.

The business lines in which we currently compete are characterized by rapidly-changing Internet media and marketing standards, changing technologies, frequent new product and service introductions, and changing user and client demands. The introduction of new technologies and services embodying new technologies and the emergence of new industry standards and practices could render our existing technologies and services obsolete and unmarketable or require unanticipated investments in technology. Our future success will depend in part on our ability to adapt to these rapidly-changing Internet media formats and other technologies. We will need to enhance our existing technologies and services and develop and introduce new technologies and services to address our clients' changing demands. If we fail to adapt successfully to such developments or timely introduce new technologies and services, we could lose clients, our expenses could increase and we could lose advertising inventory.

Changes in government regulation and industry standards applicable to the Internet and our business could decrease demand for our technologies and services or increase our costs.

Laws and regulations that apply to Internet communications, commerce and advertising are becoming more prevalent. These regulations could increase the costs of conducting business on the Internet and could decrease demand for our technologies and services.

In the United States, federal and state laws have been enacted regarding copyrights, sending of unsolicited commercial email, user privacy, search engines, Internet tracking technologies, direct marketing, data security, children's privacy, pricing, sweepstakes, promotions, intellectual property ownership and infringement, trade secrets, export of encryption technology, taxation and acceptable content and quality of goods. Other laws and regulations may be adopted in the future. Laws and regulations, including those related to privacy and use of personal information, are changing rapidly outside the United States as well which may make compliance with such laws and regulations difficult and which may negatively affect our ability to expand internationally. This legislation could: (i) hinder growth in the use of the Internet generally; (ii) decrease the acceptance of the Internet as a communications, commercial and advertising medium; (iii) reduce our revenue; (iv) increase our operating expenses; or (v) expose us to significant liabilities.

The laws governing the Internet remain largely unsettled, even in areas where there has been some legislative action. While we actively monitor this changing legal and regulatory landscape to stay abreast of changes in the laws and regulations applicable to our business, we are not certain how our business might be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption and other intellectual property issues, libel, obscenity and export or import matters to the Internet advertising industry. The vast majority of such laws were adopted prior to the advent of the Internet. As a result, they do not contemplate or address the unique issues of the Internet and related technologies. Changes in laws intended to address such issues could create uncertainty in the Internet market. It may take years to determine how existing laws apply to the Internet and Internet marketing. Such uncertainty makes it difficult to predict costs and could reduce demand for our services or increase the cost of doing business as a result of litigation costs or increased service delivery costs.

In particular, a number of U.S. federal laws impact our business. The Digital Millennium Copyright Act, or DMCA, is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party websites that include materials that infringe copyrights or other rights. Portions of the Communications Decency Act, or CDA, are intended to provide statutory protections to online service providers who distribute third-party content. We rely on the protections provided by both the DMCA and CDA in conducting our business. In addition, the United States Higher Education Act provides that to be eligible to participate in Federal student financial aid programs, an educational institution must enter into a program participation agreement with the Secretary of the Department of Education. The agreement includes a number of conditions with which an institution must comply to be granted initial and continuing eligibility to participate. Among those conditions is a prohibition on institutions providing to any individual or entity engaged in recruiting or admission activities any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments. The regulations promulgated under the Higher Education Act specify a number of types of compensation, or “safe harbors,” that do not constitute incentive compensation in violation of this agreement. One of these safe harbors permits an institution to award incentive compensation for Internet-based recruitment and admission activities that provide information about the institution to prospective students, refer prospective students to the institution, or permit prospective students to apply for admission online. From November 2009 to January 2010, the U.S. Department of Education engaged in a negotiated rulemaking process in which it suggested repealing all existing safe harbors regarding incentive compensation in recruiting, including the Internet safe harbor. Because the negotiated rulemaking did not reach consensus on proposed regulations, the Department of Education has announced it will be issuing proposed regulations on incentive compensation and other matters. The statutory deadline for publication of final regulations is November 1, 2010. Any changes in these laws or judicial interpretations narrowing their protections will subject us to greater risk of liability and may increase our costs of compliance with these regulations or limit our ability to operate certain lines of business.

The financial services, education and medical industries are highly regulated and our marketing activities on behalf of our clients in those industries are also regulated. For example, our mortgage websites and marketing services we offer are subject to various federal, state and local laws, including state mortgage broker licensing laws, federal and state laws prohibiting unfair acts and practices, and federal and state advertising laws. Any failure to comply with these laws and regulations could subject us to revocation of required licenses, civil, criminal or administrative liability, damage to our reputation or changes to or limitations on the conduct of our business. Any of the foregoing could cause our business, operations and financial condition to suffer.

New tax treatment of companies engaged in Internet commerce may adversely affect the commercial use of our marketing services and our financial results.

Due to the global nature of the Internet, it is possible that, although our services and the Internet transmissions related to them originate in California and Nevada, and in some cases, England, governments of other states or foreign countries might attempt to regulate our transmissions or levy sales, income or other taxes relating to our activities. We have experienced certain states taking expansive positions with regard to their taxation of our services. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate tax treatment of companies engaged in Internet commerce. New or revised state tax regulations may subject us or our affiliates to additional state sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and, in particular, sales taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the Internet. New taxes could also create significant increases in internal costs necessary to capture data, and collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations.

Limitations on our ability to collect and use data derived from user activities could significantly diminish the value of our services and cause us to lose clients and revenue.

When a user visits our websites, we use technologies, including “cookies”, to collect information such as the user’s Internet Protocol, or IP, address, offerings delivered by us that have been previously viewed by the user and responses by the user to those offerings. In order to determine the effectiveness of a marketing campaign and to determine how to modify the campaign, we need to access and analyze this information. The use of cookies has been the subject of regulatory scrutiny and users are able to block or delete cookies from their browser. Periodically, certain of our clients and publishers seek to prohibit or limit our collection or use of this data. Interruptions, failures or defects in our data collection systems, as well as privacy concerns regarding the collection of user data, could also limit our ability to analyze data from our clients’ marketing campaigns. This risk is heightened when we deliver marketing services to clients in the financial and medical services client verticals. If our access to data is limited in the future, we may be unable to provide effective technologies and services to clients and we may lose clients and revenue.

As a creator and a distributor of Internet content, we face potential liability and expenses for legal claims based on the nature and content of the materials that we create or distribute. If we are required to pay damages or expenses in connection with these legal claims, our operating results and business may be harmed.

We create original content for our websites and marketing messages and distribute third-party content on our websites and in our marketing messages. As a creator and distributor of original content and third-party provided content, we face potential liability based on a variety of theories, including defamation, negligence, deceptive advertising, copyright or trademark infringement or other legal theories based on the nature, creation or distribution of this information. It is also possible that our website visitors could make claims against us for losses incurred in reliance upon information provided on our websites. In addition, as the number of users of forums and social media features on our websites increases, we could be exposed to liability in connection with material posted to our websites by users and other third parties. These claims, whether brought in the United States or abroad, could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merit of these claims. In addition, if we become subject to these types of claims and are not successful in our defense, we may be forced to pay substantial damages.

Wireless devices and mobile phones are increasingly being used to access the Internet, and our online marketing services may not be as effective when accessed through these devices, which could cause harm to our business.

The number of people who access the Internet through devices other than personal computers has increased substantially in the last few years. Our online marketing services were designed for persons accessing the Internet on a desktop or laptop computer. The smaller screens, lower resolution graphics and less convenient typing capabilities of these devices may make it more difficult for visitors to respond to our offerings. In addition, the cost of mobile advertising is relatively high and may not be cost-effective for our services. If our services continue to be less effective or economically attractive for clients seeking to engage in marketing through these devices and this segment of web traffic grows at the expense of traditional computer Internet access, we will experience difficulty attracting website visitors and attracting and retaining clients and our operating results and business will be harmed.

We may not succeed in expanding our businesses outside the United States, which may limit our future growth.

One potential area of growth for us is in the international markets. However, we have limited experience in marketing, selling and supporting our services outside of the United States and we may not be successful in introducing or marketing our services abroad. There are risks inherent in conducting business in international markets, such as:

- the adaptation of technologies and services to foreign clients’ preferences and customs;

- application of foreign laws and regulations to us, including marketing and privacy regulations;
- changes in foreign political and economic conditions;
- tariffs and other trade barriers, fluctuations in currency exchange rates and potentially adverse tax consequences;
- language barriers or cultural differences;
- reduced or limited protection for intellectual property rights in foreign jurisdictions;
- difficulties and costs in staffing, managing or overseeing foreign operations; and
- education of potential clients who may not be familiar with online marketing.

If we are unable to successfully expand and market our services abroad, our business and future growth may be harmed and we may incur costs that may not lead to future revenue.

We rely on Internet bandwidth and data center providers and other third parties for key aspects of the process of providing services to our clients, and any failure or interruption in the services and products provided by these third parties could harm our business.

We rely on third-party vendors, including data center and Internet bandwidth providers. Any disruption in the network access or co-location services provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could significantly harm our business. Any financial or other difficulties our providers face may have negative effects on our business, the nature and extent of which we cannot predict. We exercise little control over these third-party vendors, which increases our vulnerability to problems with the services they provide. We license technology and related databases from third parties to facilitate analysis and storage of data and delivery of offerings. We have experienced interruptions and delays in service and availability for data centers, bandwidth and other technologies in the past. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and services could adversely affect our business and could expose us to liabilities to third parties.

Our systems also heavily depend on the availability of electricity, which also comes from third-party providers. If we or third-party data centers which we utilize were to experience a major power outage, we would have to rely on back-up generators. These back-up generators may not operate properly through a major power outage and their fuel supply could also be inadequate during a major power outage or disruptive event. Furthermore, we do not currently have backup generators at our Foster City, California headquarters. Information systems such as ours may be disrupted by even brief power outages, or by the fluctuations in power resulting from switches to and from back-up generators. This could give rise to obligations to certain of our clients which could have an adverse effect on our results for the period of time in which any disruption of utility services to us occurs.

Interruption or failure of our information technology and communications systems could impair our ability to effectively deliver our services, which could cause us to lose clients and harm our operating results.

Our delivery of marketing and media services depends on the continuing operation of our technology infrastructure and systems. Any damage to or failure of our systems could result in interruptions in our ability to deliver offerings quickly and accurately and/or process visitors' responses emanating from our various web presences. Interruptions in our service could reduce our revenue and profits, and our reputation could be damaged if people believe our systems are unreliable. Our systems and operations are vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, break-ins, hardware or software failures, telecommunications failures, computer viruses or other attempts to harm our systems, and similar events.

We lease or maintain server space in various locations, including in San Francisco, California. Our California facilities are located in areas with a high risk of major earthquakes. Our facilities are also subject to break-ins, sabotage and intentional acts of vandalism, and to potential disruptions if the operators of these facilities have financial difficulties. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, a decision to close a facility we are using without adequate notice for financial reasons or other unanticipated problems at our facilities could result in lengthy interruptions in our service.

Any unscheduled interruption in our service would result in an immediate loss of revenue. If we experience frequent or persistent system failures, the attractiveness of our technologies and services to clients and website publishers could be permanently harmed. The steps we have taken to increase the reliability and redundancy of our systems are expensive, reduce our operating margin, and may not be successful in reducing the frequency or duration of unscheduled interruptions.

Any constraints on the capacity of our technology infrastructure could delay the effectiveness of our operations or result in system failures, which would result in the loss of clients and harm our business and results of operations.

Our future success depends in part on the efficient performance of our software and technology infrastructure. As the numbers of websites and Internet users increase, our technology infrastructure may not be able to meet the increased demand. A sudden and unexpected increase in the volume of user responses could strain the capacity of our technology infrastructure. Any capacity constraints we experience could lead to slower response times or system failures and adversely affect the availability of websites and the level of user responses received, which could result in the loss of clients or revenue or harm to our business and results of operations.

We could lose clients if we fail to detect click-through or other fraud on advertisements in a manner that is acceptable to our clients.

We are exposed to the risk of fraudulent clicks or actions on our websites or our third-party publishers' websites. We may in the future have to refund revenue that our clients have paid to us and that was later attributed to, or suspected to be caused by, fraud. Click-through fraud occurs when an individual clicks on an ad displayed on a website or an automated system is used to create such clicks with the intent of generating the revenue share payment to the publisher rather than to view the underlying content. Action fraud occurs when on-line forms are completed with false or fictitious information in an effort to increase the compensable actions in respect of which a web publisher is to be compensated. From time to time we have experienced fraudulent clicks or actions and we do not charge our clients for such fraudulent clicks or actions when they are detected. It is conceivable that this activity could negatively affect our profitability, and this type of fraudulent act could hurt our reputation. If fraudulent clicks or actions are not detected, the affected clients may experience a reduced return on their investment in our marketing programs, which could lead the clients to become dissatisfied with our campaigns, and in turn, lead to loss of clients and the related revenue. Additionally, we have from time to time had to terminate relationships with web publishers who we believed to have engaged in fraud and we may have to do so in future. Termination of such relationships entails a loss of revenue associated with the legitimate actions or clicks generated by such web publishers.

We incur significant costs as a result of operating as a public company, which may adversely affect our operating results and financial condition.

As a public company, we incur significant accounting, legal and other expenses that we did not incur as a private company. We incur costs associated with our public company reporting requirements. We also incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, as well as rules implemented by the SEC and The NASDAQ Global Market. We expect these rules and regulations to continue to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. Our management and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives. Furthermore, these laws and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, for the fiscal year ending June 30, 2011, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, or Section 404. Our compliance with Section 404 will require that we incur substantial expense and expend significant management time on compliance-related issues.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which would adversely affect our ability to operate our business.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action.

Risks Related to the Ownership of Our Common Stock

Our stock price may be volatile, and you may not be able to resell shares of our common stock at or above the price you paid.

Prior to our initial public offering there was no public market for shares of our common stock, and an active public market for our shares may not develop or be sustained. The trading price of our common stock could be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in this “Risk Factors” section of this Quarterly Report on Form 10-Q and others such as:

- changes in earnings estimates or recommendations by securities analysts;
- announcements by us or our competitors of new services, significant contracts, commercial relationships, acquisitions or capital commitments;
- developments with respect to intellectual property rights;
- our ability to develop and market new and enhanced products on a timely basis;
- our commencement of, or involvement in, litigation;
- changes in governmental regulations or in the status of our regulatory approvals; and
- a slowdown in our industry or the general economy.

In recent years, the stock market in general, and the market for technology and Internet-based companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company’s securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management’s attention and resources.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse opinion regarding our stock, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our directors, executive officers and principal stockholders and their respective affiliates have substantial control over us and could delay or prevent a change in corporate control.

As of March 31, 2010, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, beneficially owned, in the aggregate the majority of our outstanding common stock. As a result, these stockholders, acting together, have substantial control over the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, have significant influence over the management and affairs of our company. Accordingly, this concentration of ownership may have the effect of:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving us; or

- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the 180-day contractual lock-up pertaining to our public offering, which period expires in August 2010, the trading price of our common stock could decline significantly. Based on shares outstanding as of March 31, 2010, we have outstanding 45,059,723 shares of common stock. Of these shares, only the 10,000,000 shares of common sold in the initial public offering stock are freely tradable, without restriction, in the public market. The underwriters of our initial public offering may, in their sole discretion, permit our officers, directors, employees and current stockholders to sell shares prior to the expiration of the lock-up agreements.

After the lock-up agreements pertaining to our common stock expire in August 2010 and based on shares outstanding as of March 31, 2010, the remaining 35,059,723 shares will be eligible for sale in the public market. In addition, (i) the 11,661,764 shares subject to outstanding options under our equity incentive plans as of March 31, 2010 and (ii) the shares reserved for future issuance under our equity incentive plans will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the price of our common stock could decline substantially.

We have broad discretion to determine how to use the funds raised in our initial public offering and may use them in ways that may not enhance our operating results or the price of our common stock.

Our management has broad discretion over the use of proceeds from our initial public offering, and we could spend the proceeds from the initial public offering in ways our stockholders may not agree with or that do not yield a favorable return. We have been using and intend to continue to use the net proceeds from our initial public offering for working capital, capital expenditures and other general corporate purposes. We may also use and continue to use a portion of the net proceeds to make repayments on our debt or acquire other businesses, products or technologies. If we do not invest or apply the proceeds of our initial public offering in ways that improve our operating results, we may fail to achieve expected financial results, which could cause our stock price to decline.

Provisions in our charter documents under Delaware law and in contractual obligations, could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.

Our amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror’s own slate of directors or otherwise attempting to obtain control of us.

We are subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. For a description of our capital stock, see “Description of Capital Stock.”

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not intend to declare and pay dividends on our capital stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Additionally, the terms of our credit facility restrict our ability to pay dividends. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

On February 4, 2010, prior to our initial public offering, we granted options to purchase 322,300 shares of our common stock under our 2008 Equity Incentive Plan with an exercise price of $19.00. From January 1, 2010 to March 17, 2010, the date we filed a Registration Statement on Form S-8 with regard to such plan, certain of our employees exercised options to purchase 137,126 shares of our common stock pursuant to options issued under the Company’s 2008 Equity Incentive Plan at an average purchase price of $2.08 per share for an aggregate purchase price of $284,820. These issuances were exempt from registration under the Securities Act of 1933, as amended, pursuant to the exemption provided in Rule 701 or Section 4(2) of the Securities Act of 1933, as amended.

Use of Proceeds

On February 10, 2010, our registration statement on Form S-1 (File No. 333-163228) was declared effective for our initial public offering, pursuant to which we registered the offering and sale of 10,000,000 shares of common stock at a public offering price of $15.00 per share. The underwriters were Credit Suisse Securities (USA) LLC, Merrill Lynch, Pierce Fenner & Smith Incorporated and J.P. Morgan Securities Inc. The offering was completed on February 17, 2010.

As a result of the offering, we received net proceeds of $150.0 million, less underwriting discounts and commissions of $10.5 million and other offering costs of approximately $2.7 million, of which a portion remains unpaid. None of such payments was a direct or indirect payment to any of our directors or officers or their associates, to persons owning ten percent or more of our common stock or any of our other affiliates.

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ITEM 6. EXHIBITS

Exhibit Number	Description of Document
3.1(1)	Amended and restated certificate of incorporation.
3.2(1)	Amended and restated bylaws.
4.1(1)	Form of common stock certificate.
4.2(1)	Second Amended and Restated Investor Rights Agreement, by and between the registrant, Douglas Valenti and the investors listed on Schedule 1 thereto, dated May 28, 2003.
10.1	Office Lease Metro Center, dated as of February 24, 2010, between the registrant and CA-Metro Center Limited Partnership.
21.1(1)	List of subsidiaries.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Previously filed as an exhibit to the registrant’s registration statement on Form S-1 (File No. 333-163228) and incorporated by reference herein.

SIGNATURES

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

QUINSTREET, INC.

/s/ Kenneth Hahn
Kenneth Hahn
Chief Financial Officer
(Principal Financial Officer and duly authorized signatory)
Date: May 12, 2010

INDEX TO EXHIBITS

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(1) Previously filed as an exhibit to the registrant’s registration statement on Form S-1 (File No. 333-163228) and incorporated by reference herein.

Exhibit 10.1

OFFICE LEASE

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

Between

CA-METRO CENTER LIMITED PARTNERSHIP, a Delaware limited partnership

as Landlord,

and

QUINSTREET, INC., a Delaware corporation

as Tenant

OFFICE LEASE

This Office Lease (this "**Lease**"), dated as of the date set forth in Section 1.1, is made by and between **CA-METRO CENTER LIMITED PARTNERSHIP, a Delaware limited partnership** ("**Landlord**"), and **QUINSTREET, INC., a Delaware corporation** ("**Tenant**"). The following exhibits are incorporated herein and made a part hereof: **Exhibit A** (Outline of Premises); **Exhibit A-1** (Outline of Reserved Parking Space); **Exhibit B** (Work Letter); **Exhibit C** (Form of Confirmation Letter); **Exhibit D** (Rules and Regulations); **Exhibit E** (Judicial Reference); **Exhibit F** (Additional Provisions); **Exhibit G** (Asbestos Notification); **Exhibit H** (Outdoor Patios); **Exhibit I** (Letter of Credit); **Exhibit J** (Suite 700 Offering Space); **Exhibit K** (Suite 730 Offering Space); **Exhibit L** (Suite 750 Offering Space); **Exhibit M** (Suite 770 Offering Space); **Exhibit N** (Suite 780 Offering Space); **Exhibit O** (Suite 790 Offering Space); **Exhibit P** (Suite 800 Offering Space); **Exhibit Q** (Suite 870 Offering Space); and **Exhibit R** (Suite 888 Offering Space).

1 BASIC LEASE INFORMATION

1.1 Date: February 25, 2010

1.2 Premises.

1.2.1 "**Building**": 950 Tower Lane, Foster City, California, commonly known as Metro Center Tower.

1.2.2 "**Premises**": Subject to Section 2.1.1, 63,998 rentable square feet of space located on the 4^{th}, 5^{th}, and 6^{th} floors of the Building and described as: (i) Suite 400 consisting of approximately 10,011 rentable square feet; (ii) Suite 450 consisting of approximately 9,431 rentable square feet; (iii) Suite 500 consisting of approximately 21,958 rentable square feet; and (iv) Suite 600 consisting of approximately 22,598 rentable square feet, the outline and location of which is set forth in **Exhibit A**. If the Premises includes any floor in its entirety, all corridors and restroom facilities located on such floor shall be considered part of the Premises.

1.2.3 "**Property**": The Building, the parcel(s) of land upon which it is located, and, at Landlord's discretion, any parking facilities and other improvements serving the Building and the parcel(s) of land upon which such parking facilities and other improvements are located.

1.2.4 "**Project**": The Property or, at Landlord's discretion, any project containing the Property and any other land, buildings or other improvements.

1.3 Term

1.3.1 Term: The term of this Lease (the "**Term**") shall commence on the Commencement Date and end on the Expiration Date (or any earlier date on which this Lease is terminated as provided herein).

1.3.2 "**Commencement Date**": November 1, 2010; provided, however, that if Landlord fails to deliver the Premises to Tenant pursuant to this Lease on or before such date as a result of any holdover or unlawful possession by another party or otherwise, the Commencement Date shall be the date on which Landlord delivers possession of the Premises to Tenant pursuant to this Lease free from occupancy by any party.

1.3.3 "**Expiration Date**": The last day of the 96th full calendar month commencing on or after the Commencement Date.

1.4 “**Base Rent**”:

Period During Term	Annual Base Rent Per Rentable Square Foot	Monthly Base Rent Per Rentable Square Foot (rounded to the nearest 100th of a dollar)	Monthly Installment of Base Rent
Commencement Date through last day of 12th full calendar month of Term	$30.00	$2.50	$159,995.00
13th through 24th full calendar months of Term	$22.20	$1.85	$118,396.30
25th through 36th full calendar months of Term	$34.20	$2.85	$182,394.30
37th through 48th full calendar months of Term	$35.40	$2.95	$188,794.10
49th through 60th full calendar months of Term	$36.60	$3.05	$195,193.90
61st through 72nd full calendar months of Term	$37.80	$3.15	$201,593.70
73rd through 84th full calendar months of Term	$39.00	$3.25	$207,993.50
85th full calendar month of Term through Expiration Date	$40.20	$3.35	$214,393.30

Notwithstanding the foregoing, so long as no Default (defined in Section 19.1) exists, Tenant shall be entitled to an abatement of Base Rent, in the amount of $159,995.00 per month, for the first 12 full calendar months of the Term.

1.5 “**Base Year**” for Expenses: Calendar year 2011.

“**Base Year**” for Taxes: Calendar year 2011.

1.6 “**Tenant’s Share**”: 15.8793% (based upon a total of 403,029 rentable square feet in the Building), subject to Section 2.1.1.

1.7 “**Permitted Use**”: General office use consistent with a first-class office building; provided that in no event shall the Premises, or any portion of the Premises, be used for the operation of an eye surgery center and/or a laser eye surgery center nor a hair salon.

1.8. “**Security Deposit**”: None.

Prepaid Base Rent: $118,396.30, as more particularly described in Section 3.

1.9 Parking: 211 unreserved parking spaces, at the rate of $0 per space per month. If additional rentable square feet are added to the Premises pursuant to Section 9 of **Exhibit F** hereto, the number of unreserved parking spaces set forth above shall increase by an amount equal to 3.2 unreserved parking spaces for every 1,000 rentable square feet of such additional space.

One (1) reserved parking space, at the rate of $0 per space per month.

1.10	Address of Tenant:	Before the Commencement Date: Quinstreet, Inc. 1051 Hillsdale Blvd., 8th Floor Foster City, CA 94404 Attn: CFO With a copy to: Cooley Godward Kronish LLP 101 California Street, 5th Floor San Francisco, CA 94111 Attn: Anna B. Pope, Esq. From and after the Commencement Date: the Premises. With a copy to: Cooley Godward Kronish LLP 101 California Street, 5th Floor San Francisco, CA 94111 Attn: Anna B. Pope, Esq.
1.11	Address of Landlord:	Equity Office 2655 Campus Drive Suite 100 San Mateo, California 94403 Attn: Building manager with copies to: Equity Office 2655 Campus Drive Suite 100 San Mateo, California 94403 Attn: Managing Counsel and Equity Office Two North Riverside Plaza Suite 2100 Chicago, IL 60606 Attn: Lease Administration
1.12	Broker(s):	Colliers Parrish International ("**Tenant's Broker**"), representing Tenant, and NaiBT Commercial ("**Landlord's Broker**"), representing Landlord.
1.13	Building Hours and Holidays:	"**Building Hours**" mean 7:00 a.m. to 6:00 p.m., Monday through Friday, excluding the day of observation of New Year's Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and, at Landlord's discretion, any other locally or nationally recognized holiday that is observed by other buildings comparable to and in the vicinity of the Building (collectively, "**Holidays**").
1.14	"**Transfer Radius**":	None.
1.15	"**Tenant Improvements**":	Defined in **Exhibit B**, if any.
1.16	"**Guarantor**":	As of the date hereof, there is no Guarantor.
1.17	"**Letter of Credit**":	$500,000.00, as more fully described in Section 4 of **Exhibit F**.

2 PREMISES AND COMMON AREAS.

2.1 **The Premises**.

2.1.1 Subject to the terms hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. Landlord and Tenant acknowledge that the rentable square footage of the Premises is as set forth in Section 1.2.2 and the rentable square footage of the Building is as set forth in Section 1.6. At any time Landlord may deliver to Tenant a notice substantially in the form of **Exhibit C**, as a confirmation of the information set forth therein. Tenant shall execute and return (or, by notice to Landlord, reasonably object to) such notice within ten (10) days after receiving it, and if Tenant fails to do so, Tenant shall be deemed to have executed and returned it without exception.

2.1.2 Except as expressly provided in this Lease, the Premises is accepted by Tenant in its condition and configuration existing on the date hereof, without any obligation of Landlord to perform or pay for any alterations to the Premises, and without any representation or warranty regarding the condition of the Premises, the Building or the Project or their suitability for Tenant's business. By taking possession of the Premises pursuant to this Lease, Tenant acknowledges that the Premises and the Building are then in the condition and configuration required hereunder.

2.2 **Common Areas**. Tenant may use, in common with Landlord and other parties and subject to the Rules and Regulations (defined in **Exhibit D**), any portions of the Property that are designated from time to time by Landlord for such use (the "**Common Areas**").

3 RENT. Tenant shall pay all Base Rent and Additional Rent (defined below) (collectively, "**Rent**") to Landlord or Landlord's agent, without prior notice or demand or any setoff or deduction, at the place Landlord may designate from time to time. As used herein, "**Additional Rent**" means all amounts, other than Base Rent, that Tenant is required to pay Landlord hereunder. Monthly payments of Base Rent and monthly payments of Additional Rent for Expenses (defined in Section 4.2.2), Taxes (defined in Section 4.2.3) and parking (collectively, "**Monthly Rent**") shall be paid in advance on or before the first day of each calendar month during the Term; provided, however, that the installment of Base Rent for the first full calendar month for which Base Rent is payable hereunder shall be paid upon Tenant's execution and delivery hereof. Except as otherwise provided herein, all other items of Additional Rent shall be paid within 30 days after Landlord's request for payment. Rent for any partial calendar month shall be prorated based on the actual number of days in such month. Without limiting Landlord's other rights or remedies, (a) if any installment of Rent is not received by Landlord or its designee within five (5) business days after its due date, Tenant shall pay Landlord a late charge equal to 5% of the overdue amount; and (b) any Rent that is not paid within 10 days after its due date shall bear interest, from its due date until paid, at the lesser of 10% per annum or the highest rate permitted by Law (defined in Section 5). Tenant's covenant to pay Rent is independent of every other covenant herein.

4 EXPENSES AND TAXES.

4.1 **General Terms**. In addition to Base Rent, Tenant shall pay, in accordance with Section 4.4, for each Expense Year (defined in Section 4.2.1), an amount equal to the sum of (a) Tenant's Share of any amount (the "**Expense Excess**") by which Expenses for such Expense Year exceed Expenses for the Base Year, plus (b) Tenant's Share of any amount (the "**Tax Excess**") by which Taxes for such Expense Year exceed Taxes for the Base Year. No decrease in Expenses or Taxes for any Expense Year below the corresponding amount for the Base Year shall entitle Tenant to any decrease in Base Rent or any credit against amounts due hereunder. Tenant's Share of the Expense Excess and Tenant's Share of the Tax Excess for any partial Expense Year shall be prorated based on the number of days in such Expense Year.

4.2 **Definitions**. As used herein, the following terms have the following meanings:

4.2.1 "**Expense Year**" means each calendar year, other than the Base Year, in which any portion of the Term occurs.

4.2.2 "**Expenses**" means all expenses, costs and amounts that Landlord pays or accrues during the Base Year or any Expense Year because of or in connection with the ownership, management, maintenance, security, repair, replacement, restoration or operation of the Property. Landlord shall act in a reasonable manner in incurring Expenses. Expenses shall include (i) the cost of supplying all utilities, the cost of operating, repairing, maintaining and renovating the utility, telephone, mechanical, sanitary, storm-drainage, and elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections, the cost of contesting any Laws that may affect Expenses, and the costs of complying with any governmentally-mandated transportation-management or similar program; (iii) the cost of all insurance premiums and deductibles; (iv) the cost of landscaping and relamping; (v) the cost of parking-area operation, repair, restoration, and maintenance; (vi) fees and other costs, including management and/or incentive fees, consulting fees, legal fees and accounting fees, of all contractors and consultants in connection with the management, operation, maintenance and repair of the Property; (vii) payments under any equipment-rental agreements and the fair rental value of any management office space; (viii) wages, salaries and other compensation, expenses and benefits, including taxes levied thereon, of all persons engaged in the operation, maintenance and security of the Property, and costs of training, uniforms, and employee enrichment for such persons; (ix) the costs of operation, repair, maintenance and replacement of all systems and equipment (and components thereof) of the Property; (x) the cost of janitorial, alarm, security and other services, replacement of wall and floor coverings, ceiling tiles and fixtures in Common Areas, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (xi) rental or acquisition costs of supplies, tools, equipment, materials and personal property used in the maintenance, operation and repair of the Property; (xii) the cost of capital improvements or any other items that are (A) intended to effect economies in the operation or maintenance of the Property, reduce current or future Expenses, enhance the safety or security of the Property or its occupants, or enhance the environmental sustainability of the Property's operations, (B) replacements or modifications of nonstructural items located in the Base Building (defined in Section 7) or Common Areas that are required to keep the Base Building or Common Areas in good condition, or (C) required under any Law; (xiii) the cost of tenant-relation programs reasonably established by Landlord; (xiv) payments under any existing or future reciprocal easement agreement, transportation management agreement, cost-sharing agreement or other covenant, condition, restriction or similar instrument affecting the Property; and (xv) any fees or other charges (other than taxes) imposed by any governmental or quasi-governmental agency in connection with the Parking Facility.

Notwithstanding the foregoing, Expenses shall not include: (a) capital expenditures not described in clauses (xi) or (xii) above (in addition, any capital expenditure shall be included in Expenses only if paid or accrued after the Base Year and shall be amortized (including actual or imputed interest on the amortized cost) over the lesser of (i) the useful life of the applicable item, as reasonably determined by Landlord, or (ii) the period of time that Landlord reasonably estimates will be required for any cost savings resulting from such item to equal the cost of such item); (b) depreciation; (c) principal payments of mortgage or other non-operating debts of Landlord; (d) costs of repairs to the extent Landlord is reimbursed by insurance or condemnation proceeds; (e) except as provided in clause (xiii) above, costs of leasing space in the Building, including brokerage commissions, lease concessions, rental abatements and construction allowances granted to specific tenants; (f) costs of selling, financing or refinancing the Building; (g) fines, penalties or interest resulting from late payment of Taxes or Expenses; (h) organizational expenses of creating or operating the entity that constitutes Landlord; (i) damages paid to Tenant hereunder or to other tenants of the Building under their respective leases; (j) amounts (other than management fees) paid to Landlord's affiliates for services, but only to the extent such amounts exceed the prices charged for such services by parties having similar skill and experience; (k) fines or penalties resulting from any violations of Law, negligence or willful misconduct of Landlord or its employees, agents or contractors; (l) advertising and promotional expenses; (m) Landlord's charitable and political contributions; (n) ground lease rental; (o) attorney's fees and other expenses incurred in connection with negotiations or disputes with tenants or other occupants of the Building; (p) costs of services or benefits made available to other tenants of the Building but not to Tenant; (q) costs of purchasing or leasing major sculptures, paintings or other artwork (as opposed to decorations purchased or leased by Landlord for display in the Common Areas of the Building); (r) any expense for which Landlord has received actual reimbursement (other than from a tenant of the Building pursuant to its lease); (s) costs of curing defects in design or original construction of the Property; (t) costs that Landlord is entitled to recover under a warranty, except to the extent it would not be fiscally prudent to pursue legal action to recover such costs; (u) reserves; (v) bad debt expenses; (w) wages, salaries, fees or fringe benefits ("**Labor Costs**") paid to executive personnel or officers or partners of Landlord (provided, however, that if such individuals provide services directly related to the operation, maintenance or ownership of the Property that, if provided directly by a general manager or property manager or his or her general support staff, would normally be chargeable as an operating expense of a comparable office building, then the Labor Costs of such individuals may be included in Expenses to the extent of the percentage of their time that is spent providing such services to the Property) or (x) costs of cleaning up Hazardous Materials, except for routine cleanup performed as part of the ordinary operation and maintenance of the Property (as used herein, "**Hazardous Materials**" means any material now or hereafter defined or regulated by any Law or governmental authority as radioactive, toxic, hazardous, or waste, or a chemical known to the state of California to cause cancer or reproductive toxicity, including (1) petroleum and any of its constituents or byproducts, (2) radioactive materials, (3) asbestos in any form or condition, and (4) materials regulated by any of the following, as amended from time to time, and any rules promulgated thereunder: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, et seq.; the Toxic Substances Control Act, 15 U.S.C. §§2601, et seq.; the Clean Water Act, 33 U.S.C. §§1251 et seq; the Clean Air Act, 42 U.S.C. §§7401 et seq.;The California Health and Safety Code; The California Water Code; The California Labor Code; The California Public Resources Code; and The California Fish and Game Code.).

If, in the Base Year or any Expense Year, the Property is not 100% occupied (or a service provided by Landlord to tenants of the Building generally is not provided by Landlord to a tenant that provides such service itself, or any tenant of the Building is entitled to free rent, rent abatement or the like), Expenses for such year shall be determined as if the Property had been 100% occupied (and all services provided by Landlord to tenants of the Building generally had been provided by Landlord to all tenants, and no tenant of the Building had been entitled to free rent, rent abatement or the like) throughout such year. Notwithstanding any contrary provision hereof, Expenses for the Base Year shall exclude (a) any market-wide cost increases resulting from extraordinary circumstances, including Force Majeure (defined in Section 25.2), boycotts, strikes, conservation surcharges, embargoes or shortages, and (b) at Landlord's option, the cost of any repair or replacement resulting from extraordinary circumstances.

Landlord shall keep its books and records relating to Expenses in accordance with generally accepted accounting principles, consistently applied.

4.2.3 "**Taxes**" means all federal, state, county or local governmental or municipal taxes, fees, charges, assessments, levies, licenses or other impositions, whether general, special, ordinary or extraordinary, that are paid or accrued during the Base Year or any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing or operation of the Property. Taxes shall include (a) real estate taxes; (b) general and special assessments; (c) transit taxes; (d) leasehold taxes; (e) personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems, appurtenances, furniture and other personal property used in connection with the Property; (f) any tax on the rent, right to rent or other income from any portion of the Property or as against the business of leasing any portion of the Property; (g) any assessment, tax, fee, levy or charge imposed by any governmental agency, or by any non-governmental entity pursuant to any private cost-sharing agreement, in order to fund the provision or enhancement of any fire-protection, street-, sidewalk- or road-maintenance, refuse-removal or other service that is (or, before the enactment of Proposition 13, was) normally provided by governmental agencies to property owners or occupants without charge (other than through real property taxes); (h) any assessment, tax, fee, levy or charge allocable or measured by the area of the Premises or by the Rent payable hereunder, including any business, gross income, gross receipts, sales or excise tax with respect to the receipt of such Rent and (i) any taxes imposed by any governmental or quasi-governmental agency in connection with the Parking Facility. Any costs and expenses (including reasonable attorneys' and consultants' fees) incurred in attempting to protest, reduce or minimize Taxes shall be included in Taxes for the year in which they are incurred. Notwithstanding any contrary provision hereof, Taxes shall be determined without regard to any "green building" credit and shall exclude (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Property), (ii) any Expenses, and (iii) any items required to be paid by Tenant under Section 4.5.

4.3 **Allocation**. Landlord, in its reasonable discretion, may equitably allocate Expenses among office, retail or other portions or occupants of the Property. If Landlord incurs Expenses or Taxes for the Property together with another property, Landlord, in its reasonable discretion, shall equitably allocate such shared amounts between the Property and such other property.

4.4 **Calculation and Payment of Expense Excess and Tax Excess.**

4.4.1 **Statement of Actual Expenses and Taxes; Payment by Tenant**. Landlord shall give to Tenant, after the end of each Expense Year, a statement (the "**Statement**") setting forth the actual Expenses, Taxes, Expense Excess and Tax Excess for such Expense Year. If the amount paid by Tenant for such Expense Year pursuant to Section 4.4.2 is less or more than the sum of Tenant's Share of the actual Expense Excess plus Tenant's Share of the actual Tax Excess (as such amounts are set forth in such Statement), Tenant shall pay Landlord the amount of such underpayment, or receive a credit in the amount of such overpayment, with or against the Rent then or next due hereunder; provided, however, that if this Lease has expired or terminated and Tenant has vacated the Premises, Tenant shall pay Landlord the amount of such underpayment, or Landlord shall pay Tenant the amount of such overpayment (less any Rent due), within 30 days after delivery of such Statement. Landlord shall use reasonable efforts to deliver the Statement on or before June 1 of the calendar year immediately following the Expense Year to which it applies. Any failure of Landlord to timely deliver the Statement for any Expense Year shall not diminish either party's rights under this Section 4.

4.4.2 **Statement of Estimated Expenses and Taxes**. Landlord shall give to Tenant, for each Expense Year, a statement (the "**Estimate Statement**") setting forth Landlord's reasonable estimates of the Expenses, Taxes, Expense Excess (the "**Estimated Expense Excess**") and Tax Excess (the "**Estimated Tax Excess**") for such Expense Year. Upon receiving an Estimate Statement, Tenant shall pay, with its next installment of Base Rent, an amount equal to the excess of (a) the amount obtained by multiplying (i) the sum of Tenant's Share of the Estimated Expense Excess plus Tenant's Share of the Estimated Tax Excess (as such amounts are set forth in such Estimate Statement), by (ii) a fraction, the numerator of which is the number of months that have elapsed in the applicable Expense Year (including the month of such payment) and the denominator of which is 12, over (b) any amount previously paid by Tenant for such Expense Year pursuant to this Section 4.4.2 (the "**Catch-up Payment**"). Notwithstanding the foregoing, if an Estimated Statement is delivered with respect to a particular Expense Year after April 1 of such year, and the amount of the Catch-up Payment exceeds $10,000.00, then the Tenant shall be entitled to pay such Catch-up Payment in equal monthly installments over the shorter period of (x) six (6) months and (y) the remainder of the Lease Term. Until Landlord delivers a new Estimate Statement, Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the sum of Tenant's Share of the Estimated Expense Excess plus Tenant's Share of the Estimated Tax Excess, as such amounts are set forth in the previous Estimate Statement. Landlord shall use reasonable efforts to deliver an Estimate Statement for each Expense Year on or before January 1 of such Expense Year. Any failure of Landlord to timely deliver any Estimate Statement shall not diminish Landlord's rights to receive payments and revise any previous Estimate Statement under this Section 4.

4.4.3 **Retroactive Adjustment of Taxes**. Notwithstanding any contrary provision hereof, if, after Landlord's delivery of any Statement, an increase or decrease in Taxes occurs for the applicable Expense Year or for the Base Year (whether by reason of reassessment, error, or otherwise), Taxes for such Expense Year or the Base Year, as the case may be, and the Tax Excess for such Expense Year shall be retroactively adjusted. If, as a result of such adjustment, it is determined that Tenant has under- or overpaid Tenant's Share of such Tax Excess, Tenant shall pay Landlord the amount of such underpayment, or receive a credit in the amount of such overpayment, with or against the Rent then or next due hereunder; provided, however, that if this Lease has expired or terminated and Tenant has vacated the Premises, Tenant shall pay Landlord the amount of such underpayment, or Landlord shall pay Tenant the amount of such overpayment (less any Rent due), within 30 days after such adjustment is made.

4.5 **Charges for Which Tenant Is Directly Responsible.** Tenant shall pay, 10 days before delinquency, any taxes levied against Tenant's equipment, furniture, fixtures and other personal property located in or about the Premises. If any such taxes are levied against Landlord or its property (or if the assessed value of Landlord's property is increased by the inclusion therein of a value placed upon such equipment, furniture, fixtures or other personal property of Tenant), Landlord may pay such taxes (or such increased assessment) regardless of their (or its) validity, in which event Tenant, upon demand, shall repay to Landlord the amount so paid. If the Leasehold Improvements (defined in Section 7.1) are assessed for real property tax purposes at a valuation higher than the valuation at which tenant improvements conforming to Landlord's "building standard" in other space in the Building are assessed, the Taxes levied against Landlord or the Property by reason of such excess assessed valuation shall be deemed taxes levied against Tenant's personal property for purposes of this Section 4.5. Notwithstanding any contrary provision hereof, Tenant shall pay, 10 days before delinquency, (i) any rent tax, sales tax, service tax, transfer tax or value added tax, or any other tax respecting the rent or services described herein or otherwise respecting this transaction or this Lease; and (ii) any taxes assessed upon the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of any portion of the Property.

4.6 **Books and Records**. Within 60 days after receiving any Statement (the "**Review Notice Period**"), Tenant may give Landlord notice ("**Review Notice**") stating that Tenant elects to review Landlord's calculation of the Expense Excess and/or Tax Excess for the Expense Year to which such Statement applies and identifying with reasonable specificity the records of Landlord reasonably relating to such matters that Tenant desires to review. Within a reasonable time after receiving a timely Review Notice (and, at Landlord's option, an executed confidentiality agreement as described below), Landlord shall deliver to Tenant, or make available for inspection at a location reasonably designated by Landlord, copies of such records. Within 60 days after such records are made available to Tenant (the "**Objection Period**"), Tenant may deliver to Landlord notice (an "**Objection Notice**") stating with reasonable specificity any objections to the Statement, in which event Landlord and Tenant shall work together in good faith to resolve Tenant's objections. Tenant may not deliver more than one Review Notice or more than one Objection Notice with respect to any Expense Year. If Tenant fails to give Landlord a Review Notice before the expiration of the Review Notice Period or fails to give Landlord an Objection Notice before the expiration of the Objection Period, Tenant shall be deemed to have approved the Statement. Notwithstanding any contrary provision hereof, Landlord shall not be required to deliver or make available to Tenant records relating to the Base Year, and Tenant may not object to Expenses or Taxes for the Base Year, other than in connection with the first review for an Expense Year performed by Tenant pursuant to this Section 4.6. If Tenant retains an agent to review Landlord's records, the agent must be with a CPA firm licensed to do business in the State of California and its fees shall not be contingent, in whole or in part, upon the outcome of the review. Tenant shall be responsible for all costs of such review; provided, however, that if Landlord and Tenant determine that the sum of Expenses and Taxes for the Expense Year in question was overstated by more than 5%, Landlord, within 30 days after receiving paid invoices therefor from Tenant, shall reimburse Tenant for the reasonable amounts paid by Tenant to third parties in connection with such review. The records and any related information obtained from Landlord shall be treated as confidential, and as applicable only to the Premises, by Tenant, its auditors, consultants, and any other parties reviewing the same on behalf of Tenant (collectively, "**Tenant's Auditors**"). Before making any records available for review, Landlord may require Tenant and Tenant's Auditors to execute a reasonable confidentiality agreement, in which event Tenant shall cause the same to be executed and delivered to Landlord within 30 days after receiving it from Landlord, and if Tenant fails to do so, the Objection Period shall be reduced by one day for each day by which such execution and delivery follows the expiration of such 30-day period. Notwithstanding any contrary provision hereof, Tenant may not examine Landlord's records or dispute any Statement if any Rent remains unpaid past its due date. If, for any Expense Year, Landlord and Tenant determine that the sum of Tenant's Share of the actual Expense Excess plus Tenant's Share of the actual Tax Excess is less or more than the amount reported, Tenant shall receive a credit in the amount of its overpayment against Rent then or next due hereunder, or pay Landlord the amount of its underpayment with the Rent next due hereunder; provided, however, that if this Lease has expired or terminated and Tenant has vacated the Premises, Landlord shall pay Tenant the amount of its overpayment (less any Rent due), or Tenant shall pay Landlord the amount of its underpayment, within 30 days after such determination.

5 USE; COMPLIANCE WITH LAWS.

5.1 Tenant shall not (a) use the Premises for any purpose other than the Permitted Use, or (b) do anything in or about the Premises that violates any of the Rules and Regulations, damages the reputation of the Project, interferes with, injures or unreasonably annoys other occupants of the Building, or constitutes a nuisance. Tenant, at its expense, shall comply with all Laws relating to (i) the operation of its business at the Project, or (ii) the use, occupancy and, other than with respect to elements of the Base Building, the condition and configuration of the Premises. If, in order to comply with any such Law, Tenant must obtain or deliver any permit, certificate or other document evidencing such compliance, Tenant shall provide a copy of such document to Landlord promptly after obtaining or delivering it. If a change to the Common Areas or any component of the Base Building becomes required under Law because any Tenant-Insured Improvement (defined in Section 10.2.2) is not a type customarily required for general office use or because any use of the Premises is not general office use, Tenant, upon demand, shall (x) at Landlord's option, either make such change at Tenant's cost or pay Landlord the cost of making such change, and (y) pay Landlord a coordination fee equal to 5% of the cost of such change . Notwithstanding the foregoing, the aforementioned 5% coordination fee shall not be due hereunder unless both of the following conditions are satisfied: (1) Landlord has performed the change to the Common Areas or a component of the Base Building in accordance with the foregoing sentence, and (2) Tenant is in Default of its obligations under this Section 5. As used herein, "**Law**" means any existing or future law, ordinance, regulation or requirement of any governmental authority having jurisdiction over the Project or the parties.

5.2 Landlord, at its expense (subject to Section 4), shall cause the Base Building and the Common Areas to comply with all Laws (including the Americans with Disabilities Act ("ADA")) to the extent that (a) such compliance is necessary for Tenant to use the Premises for general office use in a normal and customary manner and for Tenant's employees and visitors to have reasonably safe access to and from the Premises, or (b) Landlord's failure to cause such compliance would impose liability upon Tenant under Law; provided, however, that Landlord shall not be required to cause such compliance to the extent non-compliance (x) is triggered by any matter that is Tenant's responsibility under Section 5.1 or 7.3 or any other provision hereof, or (y) arises under any provision of the ADA other than Title III thereof. Notwithstanding the foregoing, Landlord may contest any alleged violation in good faith, including by applying for and obtaining a waiver or deferment of compliance, asserting any defense allowed by Law, and appealing any order or judgment to the extent permitted by Law; provided, however, that, after exhausting any rights to contest or appeal, Landlord shall perform any work necessary to comply with any final order or judgment.

6 SERVICES.

6.1 **Standard Services**. Landlord shall provide the following services on all days (unless otherwise stated below): (a) subject to limitations imposed by Law, customary heating, ventilation and air conditioning ("**HVAC**") in season during Building Hours; (b) electricity supplied by the applicable public utility, stubbed to the Premises; (c) water supplied by the applicable public utility (i) for use in lavatories and any drinking facilities located in Common Areas within the Building, and (ii) stubbed to the Building core for use in any plumbing fixtures located in the Premises; (d) janitorial services to the Premises, except on weekends and Holidays; and (e) elevator service (subject to scheduling by Landlord, and payment of Landlord's standard usage fee, for any freight service). Notwithstanding the foregoing, Landlord shall waive all freight elevator charges in connection with Tenant's move into the Premises.

6.2 **Above-Standard Use**. Landlord shall provide HVAC service outside Building Hours if Tenant gives Landlord such prior notice and pays Landlord such hourly cost per zone as Landlord may require. The parties acknowledge that, as of the date hereof, Landlord's charge for HVAC service outside Building Hours is $60.00 per hour per zone, subject to change from time to time. Tenant shall not, without Landlord's prior consent, use equipment that may affect the temperature maintained by the air conditioning system or consume above-Building-standard amounts of any water furnished for the Premises by Landlord pursuant to Section 6.1. If Tenant's consumption of electricity or water exceeds the rate Landlord reasonably deems to be standard for the Building, Tenant shall pay Landlord, upon billing, the cost of such excess consumption, including any costs of installing, operating and maintaining any equipment that is installed in order to supply or measure such excess electricity or water. The connected electrical load of Tenant's incidental-use equipment shall not exceed the Building-standard electrical design load, and Tenant's electrical usage shall not exceed the capacity of the feeders to the Project or the risers or wiring installation. For purposes hereof, the Building "electrical standard" is 3.5 watts per usable square foot of connected load to the Premises, exclusive of Base Building HVAC.

6.3 **Interruption**. Any failure to furnish, delay in furnishing, or diminution in the quality or quantity of any service resulting from any application of Law, failure of equipment, performance of maintenance, repairs, improvements or alterations, utility interruption, or event of Force Majeure (each, a "**Service Interruption**") shall not render Landlord liable to Tenant, constitute a constructive eviction, or excuse Tenant from any obligation hereunder. Notwithstanding the foregoing, if all or a material portion of the Premises is made untenantable or inaccessible for more than three (3) consecutive business days after notice from Tenant to Landlord by a Service Interruption that Landlord can correct through reasonable efforts, then, as Tenant's sole remedy, Monthly Rent shall abate for the period beginning on the day immediately following such 3-business-day period and ending on the day such Service Interruption ends, but only in proportion to the percentage of the rentable square footage of the Premises made untenantable or inaccessible.

7 REPAIRS AND ALTERATIONS.

7.1 **Repairs**. Tenant, at its expense, shall perform all maintenance and repairs (including replacements) to the Premises that are not Landlord's express responsibility hereunder, and shall keep the Premises in good condition and repair, reasonable wear and tear and damage due to Casualty or Taking excepted. Tenant's maintenance and repair obligations shall include (a) all leasehold improvements in the Premises, whenever and by whomever installed or paid for, including any Tenant Improvements, any Alterations (defined in Section 7.2), and any leasehold improvements installed pursuant to any prior lease, but excluding the Base Building (the "**Leasehold Improvements**"); (b) all supplemental heating, ventilation and air conditioning units, kitchens (including hot water heaters, dishwashers, garbage disposals, insta-hot dispensers, and plumbing) and similar facilities exclusively serving Tenant, whether located inside or outside of the Premises, and whenever and by whomever installed or paid for; and (c) all Lines (defined in Section 23). Notwithstanding the foregoing, if Tenant is in Default or in the case of an emergency, Landlord may, at its option, perform such maintenance and repairs on Tenant's behalf, in which case Tenant shall pay Landlord, upon demand, the cost of such work plus a coordination fee equal to 5% of such cost. Landlord shall perform all maintenance and repairs to (i) the roof and exterior walls, exterior doors and windows of the Building, (ii) the Base Building, and (iii) the Common Areas. As used herein, "**Base Building**" means the structural portions of the Building, together with all mechanical (including HVAC), electrical, plumbing and fire/life-safety systems serving the Building in general, whether located inside or outside of the Premises.

7.2 **Alterations**. Tenant may not make any improvement, alteration, addition or change to the Premises or to any mechanical, plumbing or HVAC facilities or other systems serving the Premises (an "**Alteration**") without Landlord's prior consent, which consent shall be requested by Tenant not less than 15 days before commencement of work and shall not be unreasonably withheld by Landlord. Notwithstanding anything to the contrary contained herein, Landlord's prior consent shall not be required for any Alteration that is decorative only (*e.g.*, carpet installation or painting) provided that Landlord receives 10 business days' prior notice. For any Alteration, (a) Tenant, before commencing work, shall deliver to Landlord, and obtain Landlord's approval of, plans and specifications; (b) Landlord, in its discretion, may require Tenant to obtain security for performance satisfactory to Landlord for a proposed Alteration the cost of which is anticipated to be $50,000.00 or more; (c) Tenant shall deliver to Landlord "as built" drawings (in CAD format, if requested by Landlord), completion affidavits, full and final lien waivers, and all governmental approvals; and (d) Tenant shall pay Landlord upon demand (i) Landlord's reasonable out-of-pocket expenses incurred in reviewing the work, and (ii) a coordination fee equal to 3% of the cost of the work; provided, however, that this clause (d) shall not apply to any Tenant Improvements.

7.3 **Tenant Work**. Before commencing any repair or Alteration ("**Tenant Work**"), Tenant shall deliver to Landlord, and obtain Landlord's approval of, (a) names of contractors, subcontractors, mechanics, laborers and materialmen; (b) evidence of contractors' and subcontractors' insurance; and (c) any required governmental permits. Tenant shall perform all Tenant Work (i) in a good and workmanlike manner using materials of a quality reasonably approved by Landlord; (ii) in compliance with any approved plans and specifications, all Laws, the National Electric Code, and Landlord's construction rules and regulations; and (iii) in a manner that does not impair the Base Building. If, as a result of any Tenant Work, Landlord becomes required under Law to perform any inspection, give any notice, or cause such Tenant Work to be performed in any particular manner, Tenant shall comply with such requirement and promptly provide Landlord with reasonable documentation of such compliance. Landlord's approval of Tenant's plans and specifications shall not relieve Tenant from any obligation under this Section 7.3. In performing any Tenant Work, Tenant shall not use contractors, services, labor, materials or equipment that, in Landlord's reasonable judgment, would disturb labor harmony with any workforce or trades engaged in performing other work or services at the Project.

8 LANDLORD'S PROPERTY. All Leasehold Improvements shall become Landlord's property upon installation and without compensation to Tenant. Notwithstanding the foregoing, unless otherwise notified by Landlord, Tenant, at its expense and before the expiration or earlier termination hereof, shall (a) remove any Tenant-Insured Improvements, (b) repair any resulting damage to the Premises or Building, and (c) restore the affected portion of the Premises to its condition existing before the installation of such Tenant-Insured Improvements. If, when it requests Landlord's approval of any Tenant Improvements or Alterations, Tenant specifically requests that Landlord identify any such Tenant Improvements or Alterations that will not be required to be removed pursuant to the preceding sentence, Landlord shall do so when it provides such approval. If Tenant fails to complete any removal, repair or restoration when required under this Section 8, Landlord may do so at Tenant's expense. Notwithstanding the foregoing, Tenant shall have no obligation to remove any improvements existing in the Premises as of the date Tenant takes possession thereof.

9 LIENS. Tenant shall keep the Project free from any lien arising out of any work performed, material furnished or obligation incurred by or on behalf of Tenant. Tenant shall remove any such lien within 10 business days after notice from Landlord, and if Tenant fails to do so, Landlord, without limiting its remedies, may pay the amount necessary to cause such removal, whether or not such lien is valid. The amount so paid, together with reasonable attorneys' fees and expenses, shall be reimbursed by Tenant upon demand.

10 INDEMNIFICATION; INSURANCE.

10.1 **Waiver and Indemnification.** Tenant waives all claims against Landlord, its Security Holders (defined in Section 17), Landlord's managing agent(s), their (direct or indirect) owners, and the beneficiaries, trustees, officers, directors, employees and agents of each of the foregoing (including Landlord, the "**Landlord Parties**") for (i) any damage to person or property (or resulting from the loss of use thereof), except to the extent such damage is caused by the negligence or willful misconduct of any Landlord Party, or (ii) any failure to prevent or control any criminal or otherwise wrongful conduct by any third party or to apprehend any third party who has engaged in such conduct. Tenant shall indemnify, defend, protect, and hold the Landlord Parties harmless from any obligation, loss, claim, action, liability, penalty, damage, cost or expense (including reasonable attorneys' and consultants' fees and expenses) (each, a "**Claim**") that is imposed or asserted by any third party and arises from (a) occupancy of the Premises by, or any negligence or willful misconduct of, Tenant, any party claiming by, through or under Tenant, their (direct or indirect) owners, or any of their respective beneficiaries, trustees, officers, directors, employees, agents, contractors, licensees or invitees, or (b) any breach by Tenant of any representation, covenant or other term contained herein, except to the extent such Claim arises from the negligence or willful misconduct of any Landlord Party. Landlord shall indemnify, defend, protect, and hold Tenant, its (direct or indirect) owners, and their respective beneficiaries, trustees, officers, directors, employees and agents (including Tenant, the "**Tenant Parties**") harmless from any Claim that is imposed or asserted by any third party and arises from (a) any negligence or willful misconduct of any Landlord Party, or (b) any breach by Landlord of any representation, covenant or other term contained herein, except to the extent such Claim arises from the negligence or willful misconduct of any Tenant Party.

10.2 **Tenant's Insurance.** Tenant shall maintain the following coverages in the following amounts:

10.2.1 Commercial General Liability Insurance covering claims of bodily injury, personal injury and property damage arising out of Tenant's operations and contractual liabilities, including coverage formerly known as broad form, on an occurrence basis, with minimum primary limits of $1,000,000 each occurrence and $2,000,000 annual aggregate (and not more than $25,000 self-insured retention) and a minimum excess/umbrella limit of $2,000,000.

10.2.2 Property Insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property in the Premises installed by, for, or at the expense of Tenant, and (ii) any Leasehold Improvements installed by or for the benefit of Tenant pursuant to this Lease ("**Tenant-Insured Improvements**"). Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance, and shall include coverage for damage or other loss caused by fire or other peril, including vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, and explosion, and providing business interruption coverage for a period of one year.

10.2.3 Worker's Compensation and Employer's Liability or other similar insurance to the extent required by Law.

10.3 **Form of Policies**. The minimum limits of insurance required to be carried by Tenant shall not limit Tenant's liability. Such insurance shall be issued by an insurance company that has an A.M. Best rating of not less than A-VIII and shall be in form and content reasonably acceptable to

Landlord. Tenant's Commercial General Liability Insurance shall (a) name the Landlord Parties ("**Additional Insured Parties**") as additional insureds; and (b) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and non-contributing with Tenant's insurance. Landlord shall be designated as a loss payee with respect to Tenant's Property Insurance on any Tenant-Insured Improvements. Tenant shall deliver to Landlord, on or before the Commencement Date and at least 15 days before the expiration dates thereof, certificates from Tenant's insurance company on the forms currently designated "ACORD 28" (Evidence of Commercial Property Insurance) and "ACORD 25-S" (Certificate of Liability Insurance) or the equivalent. Attached to the ACORD 25-S (or equivalent) there shall be an endorsement naming the Additional Insured Parties as additional insureds which shall be binding on Tenant's insurance company. Upon Landlord's request, Tenant shall deliver to Landlord, in lieu of such certificates, copies of the policies of insurance required to be carried under Section 10.2 showing that the Additional Insured Parties are named as additional insureds.

10.4 **Subrogation**. Each party waives, and shall cause its insurance carrier to waive, any right of recovery against the other party, any of its (direct or indirect) owners, or any of their respective beneficiaries, trustees, officers, directors, employees or agents for any loss of or damage to property which loss or damage is (or, if the insurance required hereunder had been carried, would have been) covered by insurance. For purposes of this Section 10.4 only, (a) any deductible with respect to a party's insurance shall be deemed covered by, and recoverable by such party under, valid and collectable policies of insurance, and (b) any contractor retained by Landlord to install, maintain or monitor a fire or security alarm for the Building shall be deemed an agent of Landlord.

10.5 **Additional Insurance Obligations**. Tenant shall maintain such increased amounts of the insurance required to be carried by Tenant under this Section 10, and such other types and amounts of insurance covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord (not more than once in any 36-month period), but not in excess of the amounts and types of insurance then being required by landlords of buildings comparable to and in the vicinity of the Building.

11 CASUALTY DAMAGE. With reasonable promptness after discovering any damage to the Premises, or to the Common Areas necessary for access to the Premises, resulting from any fire or other casualty (a "**Casualty**"), Landlord shall notify Tenant of Landlord's reasonable estimate of the time required to substantially complete repair of such damage (the "**Landlord Repairs**"). If, according to such estimate, the Landlord Repairs cannot be substantially completed within 210 days after they are commenced, either party may terminate this Lease upon 60 days' notice to the other party delivered within 10 days after Landlord's delivery of such estimate. Within 90 days after discovering any damage to the Project resulting from any Casualty, Landlord may, whether or not the Premises is affected, terminate this Lease by notifying Tenant if (i) any Security Holder terminates any ground lease or requires that any insurance proceeds be used to pay any mortgage debt; (ii) any damage to Landlord's property is not fully covered by Landlord's insurance policies; (iii) Landlord decides to rebuild the Building or Common Areas so that it or they will be substantially different structurally or architecturally; (iv) the damage occurs during the last 12 months of the Term; or (v) any owner, other than Landlord, of any damaged portion of the Project does not intend to repair such damage. If this Lease is not terminated pursuant to this Section 11, Landlord shall promptly and diligently perform the Landlord Repairs, subject to reasonable delays for insurance adjustment and other events of Force Majeure. The Landlord Repairs shall restore the Premises and the Common Areas necessary for access to the Premises to substantially the same condition that existed when the Casualty occurred, except for (a) any modifications required by Law or any Security Holder, and (b) any modifications to the Common Areas that are deemed desirable by Landlord, are consistent with the character of the Project, and do not materially impair use of or access to the Premises. Notwithstanding Section 10.4, Tenant shall assign to Landlord (or its designee) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 10.2 with respect to any Tenant-Insured Improvements, and if the estimated or actual cost of restoring any Tenant-Insured Improvements exceeds the insurance proceeds received by Landlord from Tenant's insurance carrier, Tenant shall pay such excess to Landlord within 15 days after Landlord's demand. No Casualty and no restoration performed as required hereunder shall render Landlord liable to Tenant, constitute a constructive eviction, or excuse Tenant from any obligation hereunder; provided, however, that if the Premises or any Common Area necessary for Tenant's access to the Premises is damaged by a Casualty, then, during any time that, as a result of such damage, any portion of the Premises is untenantable or inaccessible and is not occupied by Tenant, Monthly Rent shall be abated in proportion to the rentable square footage of such portion of the Premises. If Landlord does not substantially complete the Landlord Repairs on or before the Outside Restoration Date (defined below), then, provided that the Casualty was not caused by the negligence or willful misconduct of Tenant or any party claiming by, through or under Tenant, Tenant may terminate this Lease by notifying Landlord within 15 days after the Outside Restoration Date. As used herein, "**Outside Restoration Date**" means the date occurring 60 days after the expiration of the time set forth in Landlord's estimate described in the first sentence of this Section 11; provided, however, that the Outside Restoration Date shall be extended to the extent of (i) any delay caused by the insurance adjustment process; (ii) any other delay caused by events of Force Majeure (up to 90 days), and (iii) any delay caused by Tenant or any party claiming by, through or under Tenant. Notwithstanding the foregoing, if Landlord determines in good faith that it will be unable to substantially complete the Landlord Repairs on or before the Outside Restoration Date, Landlord may cease its performance of the Landlord Repairs and provide Tenant with notice (the "**Restoration Date Extension Notice**") stating such inability and identifying the date on which Landlord reasonably believes such substantial completion will occur, in which event Tenant may terminate this Lease by notifying Landlord within five (5) business days after receiving the Restoration Date Extension Notice. If Tenant does not terminate this Lease within such 5-business day period, the Outside Restoration Date shall be automatically amended to be the date identified in the Restoration Date Extension Notice.

12 NONWAIVER. No provision hereof shall be deemed waived by either party unless it is waived by such party expressly and in writing, and no waiver of any breach of any provision hereof shall be deemed a waiver of any subsequent breach of such provision or any other provision hereof. Landlord's acceptance of Rent shall not be deemed a waiver of any preceding breach of any provision hereof, other than Tenant's failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of such acceptance. No acceptance of payment of an amount less than the Rent due hereunder shall be deemed a waiver of Landlord's right to receive the full amount of Rent due, whether or not any endorsement or statement accompanying such payment purports to effect an accord and satisfaction. No receipt of monies by Landlord from Tenant after the giving of any notice, the commencement of any suit, the issuance of any final judgment, or the termination hereof shall affect such notice, suit or judgment, or reinstate or extend the Term or Tenant's right of possession hereunder.

13 CONDEMNATION. If any part of the Premises, Building or Project is taken for any public or quasi-public use by power of eminent domain or by private purchase in lieu thereof (a "**Taking**") for more than 180 consecutive days, Landlord may terminate this Lease. If more than 25% of the rentable square footage of the Premises is Taken, or access to the Premises is substantially impaired as a result of a Taking, for more than 180 consecutive days, Tenant may terminate this Lease. Any such termination shall be effective as of the date possession must be surrendered to the authority, and the terminating party shall provide termination notice to the other party within 45 days after receiving written notice of such surrender date. Except as provided above in this Section 13, neither party may terminate this Lease as a result of a Taking. Tenant shall not assert any claim for compensation because of any Taking; provided, however, that Tenant may file a separate claim for any Taking of Tenant's personal property or any fixtures that Tenant is entitled to remove upon the expiration hereof, and for moving expenses, so long as such claim does not diminish the award available to Landlord or any Security Holder and is payable separately to Tenant. If this Lease is terminated pursuant to this Section 13, all Rent shall be apportioned as of the date of such termination. If a Taking occurs and this Lease is not so terminated, Monthly Rent shall be abated for the period of such Taking in proportion to the percentage of the rentable square footage of the Premises, if any, that is subject to, or rendered inaccessible by, such Taking.

14 ASSIGNMENT AND SUBLETTING.

14.1 **Transfers**. Tenant shall not, without Landlord's prior consent (except in connection with a Permitted Transfer as defined in Section 14.8 below), assign, mortgage, pledge, hypothecate, encumber, permit any lien to attach to, or otherwise transfer this Lease or any interest hereunder, permit any assignment or other transfer hereof or any interest hereunder by operation of law, enter into any sublease or license agreement, otherwise permit the occupancy or use of any part of the Premises by any persons other than Tenant and its employees and contractors, or permit a Change of Control (defined in Section 14.6) to occur (each, a "**Transfer**"). If Tenant desires Landlord's consent to any Transfer, Tenant shall provide Landlord with (i) notice of the terms of the proposed Transfer, including its proposed effective date (the "**Contemplated Effective Date**"), a description of the portion of the Premises to be transferred (the "**Contemplated Transfer Space**"), a calculation of the Transfer Premium (defined in Section 14.3), and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, and (ii) current financial statements of the proposed transferee (or, in the case of a Change of Control, of the proposed new controlling party(ies)) certified by an officer or owner thereof and any other information reasonably required by Landlord in order to evaluate the proposed Transfer (collectively, the "**Transfer Notice**"). Within 30 days after receiving the Transfer Notice, Landlord shall notify Tenant of (a) its consent to the proposed Transfer, (b) its refusal to consent to the proposed Transfer, or (c) its exercise of its rights under Section 14.4. Any Transfer (other than a Permitted Transfer) made without Landlord's prior consent shall, at Landlord's option, be void and shall, at Landlord's option, constitute a Default (defined in Section 19). Tenant shall pay Landlord a fee of $1,500.00 for Landlord's review of any proposed Transfer (other than a Permitted Transfer), whether or not Landlord consents to it.

14.2 **Landlord's Consent**. Subject to Section 14.4, Landlord shall not unreasonably withhold, condition or delay its consent to any proposed Transfer. Without limiting other reasonable grounds for withholding consent, it shall be deemed reasonable for Landlord to withhold consent to a proposed Transfer if:

14.2.1 The proposed transferee is not a party of reasonable financial strength in light of the responsibilities to be undertaken in connection with the Transfer on the date the Transfer Notice is received; or

14.2.2 The proposed transferee has a character or reputation or is engaged in a business that is not consistent with the quality of the Building or the Project; or

14.2.3 The proposed transferee is a governmental entity or a nonprofit organization; or

14.2.4 In the case of a proposed sublease, license or other occupancy agreement, the rent or occupancy fee charged by Tenant to the transferee during the term of such agreement, calculated using a present value analysis, is less than 95% of the rent being quoted by Landlord or its Affiliate (defined in Section 14.8) at the time of such Transfer for comparable space in the Project for a comparable term, calculated using a present value analysis; or

14.2.5 Both (i) the proposed transferee or any of its Affiliates, on the date the Transfer Notice is received, leases or occupies (or, at any time during the 6-month period ending on the date the Transfer Notice is received, has negotiated with Landlord to lease) space in the Project and (ii) on or about the Contemplated Effective Date, Landlord shall have space for lease in the Complex that is comparable to the Contemplated Transfer Space. As used herein, the term "**Complex**" shall mean, collectively, the Building, the building located at 919 East Hillsdale Boulevard, Foster City, California and the building located at 989 East Hillsdale Boulevard, Foster City, California.

Notwithstanding any contrary provision hereof, (a) if Landlord consents to any Transfer pursuant to this Section 14.2 but Tenant does not enter into such Transfer within six (6) months thereafter, such consent shall no longer apply and such Transfer shall not be permitted unless Tenant again obtains Landlord's consent thereto pursuant and subject to the terms of this Section 14; and (b) if Landlord unreasonably withholds its consent under this Section 14.2, Tenant's sole remedies shall be contract damages (subject to Section 20) or specific performance, and Tenant waives all other remedies, including any right to terminate this Lease.

14.3 **Transfer Premium**. If Landlord consents to a Transfer, Tenant shall pay Landlord an amount equal to 50% of any Transfer Premium (defined below). As used herein, "**Transfer Premium**" means (a) in the case of an assignment, any consideration (including payment for Leasehold Improvements) paid by the assignee for such assignment, less any reasonable and customary expenses directly incurred by Tenant on account of such assignment, including brokerage fees, legal fees, and Landlord's review fee; (b) in the case of a sublease, license or other occupancy agreement, the amount by which all rent and other consideration paid by the transferee to Tenant pursuant to such agreement (less all reasonable and customary expenses directly incurred by Tenant on account of such agreement, including brokerage fees, legal fees, construction costs and Landlord's review fee) exceeds the Monthly Rent payable by Tenant hereunder with respect to the Contemplated Transfer Space for the term of such agreement; and (c) in the case of a Change of Control, any consideration (including payment for Leasehold Improvements) paid by the new controlling party(ies) to the prior controlling party(ies) solely on account of this Lease. Payment of Landlord's share of the Transfer Premium shall be made (x) in the case of an assignment or a Change of Control, within 10 days after Tenant or the prior controlling party(ies), as the case may be, receive(s) the consideration described above, and (y) in the case of a sublease, license or other occupancy agreement, on the first day of each month during the term of such agreement, in the amount of 50% of the amount by which the rent and other consideration paid by the transferee to Tenant under such agreement for such month (less all reasonable and customary expenses directly incurred by Tenant on account of such agreement, including brokerage fees, legal fees, construction costs and Landlord's review fee, as amortized on a monthly, straight-line basis over the term of such agreement) exceeds the Monthly Rent payable by Tenant hereunder with respect to the Contemplated Transfer Space for such month.

14.4 **Landlord's Right to Recapture**. Notwithstanding any contrary provision hereof, except in the case of a Permitted Transfer, Landlord, by notifying Tenant within 15 days after receiving the Transfer Notice, may terminate this Lease with respect to the Contemplated Transfer Space as of the Contemplated Effective Date; provided, however, that such termination shall not be effective if Tenant, by notifying Landlord within five (5) days after receiving Landlord's notice of termination, withdraws the Transfer Notice. If Tenant does not withdraw the Transfer Notice, and if the Contemplated Transfer Space is less than the entire Premises, then Base Rent, Tenant's Share, and the number of parking spaces to which Tenant is entitled under Section 1.9 shall be deemed adjusted on the basis of the percentage of the rentable square footage of the Premises retained by Tenant. Upon request of either party, the parties shall execute a written agreement prepared by Landlord memorializing such termination.

14.5 **Effect of Consent**. If Landlord consents to a Transfer, (i) such consent shall not be deemed a consent to any further Transfer, (ii) Tenant shall deliver to Landlord, promptly after execution, an executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, and (iii) Tenant shall deliver to Landlord, upon Landlord's request, a complete statement, certified by an independent CPA or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium. In the case of an assignment, the assignee shall assume in writing, for Landlord's benefit, all of Tenant's obligations hereunder. No Transfer, with or without Landlord's consent, shall relieve Tenant or any guarantor hereof from any liability hereunder.

14.6 **<u>Change of Control</u>**. As used herein, "**Change of Control**" means (a) if Tenant is a closely held professional service firm, the withdrawal or change (whether voluntary, involuntary or by operation of law) of 50% or more of its equity owners within a 12-month period; and (b) in all other cases, any transaction(s) resulting in the acquisition of a Controlling Interest (defined below) by one or more parties that did not own a Controlling Interest immediately before such transaction(s). As used herein, "**Controlling Interest**" means any direct or indirect equity or beneficial ownership interest in Tenant that confers upon its holder(s) the direct or indirect power to direct the ordinary management and policies of Tenant, whether through the ownership of voting securities, by contract or otherwise (but not through the ownership of voting securities listed on a recognized securities exchange).

14.7 **<u>Effect of Default</u>**. If Tenant is in Default, Landlord is irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any transferee under any sublease, license or other occupancy agreement to make all payments under such agreement directly to Landlord (which Landlord shall apply towards Tenant's obligations hereunder) until such Default is cured. Such transferee shall rely upon any representation by Landlord that Tenant is in Default, whether or not confirmed by Tenant.

14.8 **<u>Permitted Transfers</u>**. Notwithstanding any contrary provision hereof, if Tenant is not in Default, Tenant may, without Landlord's consent pursuant to <u>Section 14.1</u>, permit a Change of Control to occur, sublease any portion of the Premises to an Affiliate of Tenant or assign this Lease to (a) an Affiliate of Tenant, (b) a successor to Tenant by merger or consolidation, or (c) a successor to Tenant by purchase of all or substantially all of Tenant's assets (a "**Permitted Transfer**"), provided that (i) at least 10 business days before the Permitted Transfer, Tenant notifies Landlord of such Permitted Transfer and delivers to Landlord any documents or information reasonably requested by Landlord relating thereto (provided that if advanced notice is prohibited by a confidentiality agreement or Law, then Tenant shall give Landlord written notice and deliver such documents within 10 days after the effective date of the proposed Permitted Transfer), including reasonable documentation that the Permitted Transfer satisfies the requirements of this <u>Section 14.8</u>; (ii) in the case of a sublease, the subtenant executes and delivers to Landlord, at least 10 business days before taking occupancy, an agreement reasonably acceptable to Landlord which (A) requires the subtenant to assume all of Tenant's indemnity and insurance obligations hereunder with respect to the Contemplated Transfer Space and to be bound by each provision hereof that limits the liability of any Landlord Party, and (B) provides that if either a Landlord Party or the subtenant institutes a suit against the other for violation of or to enforce such agreement, or in connection with any matter relating to the sublease or the subtenant's occupancy of the Contemplated Transfer Space, the prevailing party shall be entitled to all of its costs and expenses, including reasonable attorneys' fees; (iii) in the case of an assignment pursuant to clause (a) or (c) above, the assignee executes and delivers to Landlord, at least 10 business days before the assignment(provided that if advanced notice is prohibited by a confidentiality agreement or Law, then Tenant shall deliver to Landlord within 10 days after the effective date of the proposed Permitted Transfer), a commercially reasonable instrument pursuant to which the assignee assumes, for Landlord's benefit, all of Tenant's obligations hereunder; (iv) in the case of an assignment pursuant to clause (b) above, (A) the successor entity has a net worth (as determined in accordance with GAAP, but excluding intellectual property and any other intangible assets ("**Net Worth**")) immediately after the Permitted Transfer that is not less than the Net Worth of Tenant immediately before the Permitted Transfer, and (B) if Tenant is a closely held professional service firm, at least 50% of its equity owners existing 12 months before the Transfer are also equity owners of the successor entity; (v) except in the case of a Change of Control, the transferee is qualified to conduct business in the State of California; (vi) in the case of a Change of Control, (a) Tenant is not a closely held professional service firm, and (b) the Tenant's Net Worth immediately after the Change of Control is not less then its Net Worth immediately before the change of Control; and (vii) the Permitted Transfer is made for a good faith operating business purpose and not in order to evade the requirements of this <u>Section 14</u>. As used herein, "**Affiliate**" means, with respect to any party, a person or entity that controls, is under common control with, or is controlled by such party.

15 SURRENDER. Upon the expiration or earlier termination hereof, and subject to <u>Section 8</u> hereof, <u>Sections 2.2.1</u> and <u>2.2.2</u> of **<u>Exhibit B</u>** hereto and this <u>Section 15</u>, Tenant shall surrender possession of the Premises to Landlord in as good condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, except for reasonable wear and tear and repairs that are Landlord's express responsibility hereunder. Before such expiration or termination, Tenant, without expense to Landlord, shall (a) remove from the Premises all debris and rubbish and all furniture, equipment, business and trade fixtures, Lines, free-standing cabinet work, movable partitions and other articles of personal property that are owned or placed in the Premises by Tenant or any party claiming by, through or under Tenant (except for any Lines not required to be removed under <u>Section 23</u>), and (b) repair all damage to the Premises and Building resulting from such removal. If Tenant fails to timely perform such removal and repair, Landlord may do so at Tenant's expense (including storage costs). If Tenant fails to remove such property from the Premises, or from storage, within 30 days after notice from Landlord, any part of such property shall be deemed, at Landlord's option, either (x) conveyed to Landlord without compensation, or (y) abandoned.

16 HOLDOVER. If Tenant fails to surrender the Premises upon the expiration or earlier termination hereof, Tenant's tenancy shall be subject to the terms and conditions hereof; provided, however, that such tenancy shall be a tenancy at sufferance only, for the entire Premises, and Tenant shall pay Monthly Rent (on a per-month basis without reduction for any partial month) at a rate equal to 150% of the Monthly Rent applicable during the last calendar month of the Term. Nothing in this Section 16 shall limit Landlord's rights or remedies or be deemed a consent to any holdover. If Landlord is unable to deliver possession of the Premises to a new tenant or to perform improvements for a new tenant as a result of Tenant's holdover, Tenant shall be liable for all resulting damages, including lost profits, incurred by Landlord.

17 SUBORDINATION; ESTOPPEL CERTIFICATES.

17.1 This Lease shall be subject and subordinate to all existing and future ground or underlying leases, mortgages, trust deeds and other encumbrances against the Building or Project, all renewals, extensions, modifications, consolidations and replacements thereof (each, a "**Security Agreement**"), and all advances made upon the security of such mortgages or trust deeds, unless in each case the holder of such Security Agreement (each, a "**Security Holder**") requires in writing that this Lease be superior thereto. Upon any termination or foreclosure (or any delivery of a deed in lieu of foreclosure) of any Security Agreement, Tenant, upon request, shall attorn, without deduction or set-off, to the Security Holder or purchaser or any successor thereto and shall recognize such party as the lessor hereunder provided that such party agrees not to disturb Tenant's occupancy so long as Tenant timely pays the Rent and otherwise performs its obligations hereunder. Within 10 days after request by Landlord, Tenant shall execute such further instruments as Landlord may reasonably deem necessary to evidence the subordination or superiority of this Lease to any Security Agreement. Tenant waives any right it may have under Law to terminate or otherwise adversely affect this Lease or Tenant's obligations hereunder upon a foreclosure. Within 10 business days after Landlord's request, Tenant shall execute and deliver to Landlord a commercially reasonable estoppel certificate in favor of such parties as Landlord may reasonably designate, including current and prospective Security Holders and prospective purchasers. Notwithstanding any provision herein to the contrary, if, within 10 days after the date of this Lease, a non-disturbance, subordination and attornment agreement is not executed and delivered by Landlord, Tenant and Mortgagee (as hereinafter defined), then Tenant shall have the right to terminate this Lease by delivery of written notice to Landlord prior to the date that is the earlier to occur of (i) the date upon which such non-disturbance, subordination and attornment agreement is fully executed and delivered by such parties, and (ii) the date that is 5 days after the expiration of such 10 day period. If Tenant timely delivers such termination notice to Landlord, this Lease shall terminate effective as of the date such notice is delivered to Landlord; provided, however, that (w) Sections 8, 20, 25.1, 25.5, 25.6, 25.7, 25.9 and Exhibit E shall survive such termination; (x) if Landlord has received any security deposit, other collateral or prepaid Rent from Tenant pursuant to this Lease, Landlord shall promptly return the same to Tenant; and (y) if Tenant has entered the Premises pursuant to this Lease for any reason, the provisions hereof governing such entry shall, with respect to such entry, survive such termination to the same extent as if this Lease had expired in accordance with its terms. Tenant shall be responsible for any fee or review costs charged by the Mortgagee in connection with such non-disturbance, subordination and attornment agreement between Landlord, Tenant and Mortgagee. As used herein, the term "**Mortgagee**" shall mean the holder of a mortgage or deed of trust recorded against the Property as of the date hereof.

17.2 Notwithstanding Section 17.1, Tenant's agreement to subordinate this Lease to a future Security Agreement shall not be effective unless Landlord has provided Tenant with a commercially reasonable non-disturbance agreement from the Security Holder. For purposes of the preceding sentence, a non-disturbance agreement shall not be deemed commercially reasonable unless it provides that: (a) so long as no Default exists, this Lease and Tenant's right to possession hereunder shall remain in full force and effect; (b) the Security Holder shall have additional time (not to exceed 90 days after written notice from Tenant) to cure any default of Landlord; and (c) neither the Security Holder nor any successor in interest shall be (i) bound by (A) any payment of Rent for more than one (1) month in advance, or (B) any amendment of this Lease made without the written consent of the Security Holder or such successor in interest; (ii) liable for (A) the return of any security deposit, letter of credit or other collateral, except to the extent it was received by the Security Holder, or (B) any act, omission, representation, warranty or default of any prior landlord (including Landlord); or (iii) subject to any offset or defense that Tenant might have against any prior landlord (including Landlord).

18 ENTRY BY LANDLORD. At all reasonable times and upon no less than 24 hours prior notice to Tenant, Landlord may enter the Premises to (i) inspect the Premises; (ii) show the Premises to prospective purchasers, current or prospective Security Holders or insurers, or, during the last 9 months of the Term (or while an uncured Default exists), prospective tenants; (iii) post notices of non-responsibility; or (iv) perform maintenance, repairs or alterations. Notwithstanding the foregoing, at any time and without notice to Tenant, (a) Landlord may enter the Premises to perform required services (provided, however, that Landlord shall provide Tenant with 24 hours prior notice (which notice, notwithstanding Section 25.1, may be delivered by e-mail, fax, telephone or orally and in person) of any entry to perform a service that is not performed on a monthly or more frequent basis) and (b) Landlord may enter the Premises in the case of an emergency to inspect the Premises and/or to perform maintenance, repairs or alterations in connection with such emergency. If reasonably necessary, Landlord may temporarily close any portion of the Premises to perform maintenance, repairs or alterations. In an emergency, Landlord may use any means it deems proper to open doors to and in the Premises. Except in an emergency, Landlord shall use reasonable efforts to minimize interference with Tenant's use of the Premises. Except in an emergency, Tenant may have one of its employees accompany Landlord if Tenant makes such employee available when Landlord enters the Premises. No entry into or closure of any portion of the Premises pursuant to this Section 18 shall render Landlord liable to Tenant, constitute a constructive eviction, or excuse Tenant from any obligation hereunder.

19 DEFAULTS; REMEDIES.

19.1 **Events of Default**. The occurrence of any of the following shall constitute a "**Default**":

19.1.1 Any failure by Tenant to pay any Rent when due unless such failure is cured within five (5) business days after notice; or

19.1.2 Except where a specific time period is otherwise set forth for Tenant's performance herein (in which event the failure to perform by Tenant within such time period shall be a Default), and except as otherwise provided in this Section 19.1, any failure by Tenant to observe or perform any other provision, covenant or condition hereof where such failure continues for 30 days after notice from Landlord; provided that if such failure cannot reasonably be cured within such 30-day period, Tenant shall not be in Default as a result of such failure if Tenant diligently commences such cure within such period, thereafter diligently pursues such cure, and completes such cure within 60 days after Landlord's notice (or within such longer period as may be reasonably required provided that such failure can be cured and Tenant diligently pursues such cure); or

19.1.3 Abandonment of all or a substantial portion of the Premises by Tenant; or

19.1.4 Any failure by Tenant to observe or perform the provisions of Sections 5, 14, 17 or 18 where such failure continues for more than two (2) business days after notice from Landlord; or

19.1.5 Tenant becomes in breach of Section 25.3.

If Tenant breaches a particular material provision hereof (other than a provision requiring payment of Rent) on three (3) separate occasions during any 12-month period, Tenant's subsequent breach of such provision shall be, at Landlord's option, an incurable Default. The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by Law, and Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding.

19.2 **Remedies Upon Default**. Upon any Default, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (which shall be cumulative and nonexclusive), the option to pursue any one or more of the following remedies (which shall be cumulative and nonexclusive) without any notice or demand:

19.2.1 Landlord may terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy it may have for possession or arrearages in Rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

(a) The worth at the time of award of the unpaid Rent which has been earned at the time of such termination; plus

(b) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that Tenant proves could have been reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations hereunder or which in the ordinary course of things would be likely to result therefrom, including brokerage commissions, advertising expenses, expenses of remodeling any portion of the Premises for a new tenant (whether for the same or a different use), and any special concessions made to obtain a new tenant; plus

(e) At Landlord's option, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by Law.

As used in Sections 19.2.1(a) and (b), the "**worth at the time of award**" shall be computed by allowing interest at a rate per annum equal to the lesser of (i) the annual "Bank Prime Loan" rate cited in the Federal Reserve Statistical Release Publication G.13(415), published on the first Tuesday of each calendar month (or such other comparable index as Landlord shall reasonably designate if such rate ceases to be published) plus two (2) percentage points, or (ii) the highest rate permitted by Law. As used in Section 19.2.1(c), the "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

19.2.2 Landlord shall have the remedy described in California Civil Code § 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover Rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.

19.2.3 Landlord shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 and 19.2.2, or any Law or other provision hereof), without prior demand or notice except as required by Law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

19.3 **Efforts to Relet**. Unless Landlord provides Tenant with express notice to the contrary, no re-entry, repossession, repair, maintenance, change, alteration, addition, reletting, appointment of a receiver or other action or omission by Landlord shall (a) be construed as an election by Landlord to terminate this Lease or Tenant's right to possession, or to accept a surrender of the Premises, or (b) operate to release Tenant from any of its obligations hereunder. Tenant waives, for Tenant and for all those claiming by, through or under Tenant, California Civil Code § 3275 and California Code of Civil Procedure §§ 1174(c) and 1179 and any existing or future rights to redeem or reinstate, by order or judgment of any court or by any legal process or writ, this Lease or Tenant's right of occupancy of the Premises after any termination hereof.

19.4 **Landlord Default**. Landlord shall not be in default hereunder unless it fails to begin within 30 days after notice from Tenant, or fails to pursue with reasonable diligence thereafter, the cure of any failure of Landlord to meet its obligations hereunder. Before exercising any remedies for a default by Landlord, Tenant shall give notice and a reasonable time to cure to any Security Holder of which Tenant has been notified.

20 LANDLORD EXCULPATION. Notwithstanding any contrary provision hereof, (a) the liability of the Landlord Parties to Tenant shall be limited to an amount equal Landlord's interest in the Building; (b) Tenant shall look solely to Landlord's interest in the Building for the recovery of any judgment or award against any Landlord Party; (c) no Landlord Party shall have any personal liability for any judgment or deficiency, and Tenant waives and releases such personal liability on behalf of itself and all parties claiming by, through or under Tenant; and (d) no Landlord Party shall be liable for any injury or damage to, or interference with, Tenant's business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, or for any form of special or consequential damage.

21 INTENTIONALLY OMITTED.

22 INTENTIONALLY OMITTED.

23 COMMUNICATIONS AND COMPUTER LINES. All Lines installed pursuant to this Lease shall be (a) installed in accordance with Section 7; and (b) clearly marked with adhesive plastic labels (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, and the purpose of such Lines (i) every six (6) feet outside the Premises (including the electrical room risers and any Common Areas), and (ii) at their termination points. Landlord may designate specific contractors for work relating to vertical Lines. Sufficient spare cables and space for additional cables shall be maintained for other occupants, as reasonably determined by Landlord. Unless otherwise notified by Landlord, Tenant, at its expense and before the expiration or earlier termination hereof, shall remove all Lines and repair any resulting damage. As used herein, "**Lines**" means all communications or computer wires and cables serving the Premises, whenever and by whomever installed or paid for, including any such wires or cables installed pursuant to any prior lease.

24 PARKING. Tenant may park in the Building's parking facilities (the "**Parking Facility**"), in common with other tenants of the Building, upon the following terms and conditions. Tenant shall not use more than the number of unreserved and/or reserved parking spaces set forth in Section 1.9. The reserved parking space shall be located on the fourth level of the Parking Facility in the location shown on **Exhibit A-1** hereto. Landlord shall not be liable to Tenant, nor shall this Lease be affected, if any parking is impaired by (or any parking charges are imposed as a result of) any Law. Tenant shall comply with all rules and regulations established by Landlord from time to time for the orderly operation and use of the

Parking Facility, including any sticker or other identification system and the prohibition of vehicle repair and maintenance activities in the Parking Facility. Landlord may, in its discretion, allocate and assign parking passes among Tenant and the other tenants in the Building. Tenant's use of the Parking Facility shall be at Tenant's sole risk, and Landlord shall have no liability for any personal injury or damage to or theft of any vehicles or other property occurring in the Parking Facility or otherwise in connection with any use of the Parking Facility by Tenant, its employees or invitees. Landlord may alter the size, configuration, design, layout or any other aspect of the Parking Facility, and, in connection therewith, temporarily deny or restrict access to the Parking Facility, in each case without abatement of Rent or liability to Tenant. Landlord may delegate its responsibilities hereunder to a parking operator, in which case (i) such parking operator shall have all the rights of control reserved herein by Landlord, (ii) Tenant shall enter into a parking agreement with such parking operator, and (iii) Landlord shall have no liability for claims arising through acts or omissions of such parking operator except to the extent caused by Landlord's gross negligence or willful misconduct. Tenant's parking rights under this Section 24 are solely for the benefit of Tenant's employees and such rights may not be transferred without Landlord's prior consent, except pursuant to a Transfer permitted under Section 14.

25 MISCELLANEOUS.

25.1 **Notices**. Except as provided in Section 18, no notice, demand, statement, designation, request, consent, approval, election or other communication given hereunder ("**Notice**") shall be binding upon either party unless (a) it is in writing; (b) it is (i) sent by certified or registered mail, postage prepaid, return receipt requested, (ii) delivered by a nationally recognized courier service, or (iii) delivered personally; and (c) it is sent or delivered to the address set forth in Section 1.10 or 1.11, as applicable, or to such other place (other than a P.O. box) as the recipient may from time to time designate in a Notice to the other party. Any Notice shall be deemed received on the earlier of the date of actual delivery or the date on which delivery is refused, or, if Tenant is the recipient and has vacated its notice address without providing a new notice address, three (3) days after the date the Notice is deposited in the U.S. mail or with a courier service as described above.

25.2 **Force Majeure**. If either party is prevented from performing any obligation hereunder by any strike, act of God, war, terrorist act, shortage of labor or materials, governmental action, civil commotion or other cause beyond such party's reasonable control ("**Force Majeure**"), such obligation shall be excused during (and any time period for the performance of such obligation shall be extended by) the period of such prevention; provided, however, that this Section 25.2 shall not (a) permit Tenant to hold over in the Premises after the expiration or earlier termination hereof, or (b) excuse any of Tenant's obligations under Sections 3, 4, 5, 21 or 25.3 or any of Tenant's obligations whose nonperformance would interfere with another occupant's use, occupancy or enjoyment of its premises or the Project.

25.3 **Representations and Covenants**. Tenant represents, warrants and covenants that (a) Tenant is, and at all times during the Term will remain, duly organized, validly existing and in good standing under the Laws of the state of its formation and qualified to do business in the state of California; (b) neither Tenant's execution of nor its performance under this Lease will cause Tenant to be in violation of any agreement or Law; (c) Tenant (and any guarantor hereof) has not, and at no time during the Term will have, (i) made a general assignment for the benefit of creditors, (ii) filed a voluntary petition in bankruptcy or suffered the filing of an involuntary petition by creditors (in the later case which is not dismissed within 30 days), (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets (which is not dismissed within 30 days), (iv) suffered the attachment or other judicial seizure of all or substantially all of its assets (which is not dismissed within 30 days), (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally; and (d) each party that (other than through the passive ownership of interests traded on a recognized securities exchange) constitutes, owns, controls, or is owned or controlled by Tenant, any guarantor hereof or any subtenant of Tenant is not, and at no time during the Term will be, (i) in violation of any Laws relating to terrorism or money laundering, or (ii) among the parties identified on any list compiled pursuant to Executive Order 13224 for the purpose of identifying suspected terrorists or on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/tllsdn.pdf or any replacement website or other replacement official publication of such list.

25.4 **Signs**. Landlord shall include Tenant's name in any tenant directory located in the main lobby on the first floor of the Building and in the parking garage elevator lobby on the first floor of the Building. If any part of the Premises is located on a multi-tenant floor, Landlord, at Tenant's cost, shall provide identifying suite signage for Tenant comparable to that provided by Landlord on similar floors in the Building. Tenant may not install (a) any signs outside the Premises, or (b) without Landlord's prior consent in its sole and absolute discretion, any signs, window coverings, blinds or similar items that are visible from outside the Premises.

25.5 **Attorneys' Fees**. In any action or proceeding between the parties, including any appellate or alternative dispute resolution proceeding, the prevailing party may recover from the other party all of its costs and expenses in connection therewith, including reasonable attorneys' fees and costs. Tenant shall pay all reasonable attorneys' fees and other fees and costs that Landlord incurs in interpreting or enforcing this Lease or otherwise protecting its rights hereunder (a) where Tenant has failed to pay Rent when due, or (b) in any bankruptcy case, assignment for the benefit of creditors, or other insolvency, liquidation or reorganization proceeding involving Tenant or this Lease.

25.6 **Brokers**. Tenant represents to Landlord that it has dealt only with Tenant's Broker as its broker in connection with this Lease. Tenant shall indemnify, defend, and hold Landlord harmless from all claims of any brokers, other than Tenant's Broker, claiming to have represented Tenant in connection with this Lease. Landlord shall indemnify, defend and hold Tenant harmless from all claims of any brokers, including Landlord's Broker, claiming to have represented Landlord in connection with this Lease. Tenant acknowledges that any Affiliate of Landlord that is involved in the negotiation of this Lease is representing only Landlord, and that any assistance rendered by any agent or employee of such Affiliate in connection with this Lease or any subsequent amendment or other document related hereto has been or will be rendered as an accommodation to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant. Landlord shall pay a brokerage commission to Tenant's Broker subject to the terms of a separate written agreement entered into between Landlord and Tenant's Broker.

25.7 **Governing Law; WAIVER OF TRIAL BY JURY.** This Lease shall be construed and enforced in accordance with the Laws of the State of California. THE PARTIES WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE OR ANY EMERGENCY OR STATUTORY REMEDY.

25.8 **Waiver of Statutory Provisions**. Each party waives California Civil Code §§ 1932(2) and 1933(4). Tenant waives (a) any rights under (i) California Civil Code §§ 1932(1), 1941, 1942, 1950.7 or any similar Law, or (ii) California Code of Civil Procedure § 1265.130; and (b) any right to terminate this Lease under California Civil Code § 1995.310.

25.9 **Interpretation**. As used herein, the capitalized term "Section" refers to a section hereof unless otherwise specifically provided herein. As used in this Lease, the terms "herein," "hereof," "hereto" and "hereunder" refer to this Lease and the term "include" and its derivatives are not limiting. Any reference herein to "any part" or "any portion" of the Premises, the Property or any other property shall be construed to refer to all or any part of such property. Wherever this Lease requires Tenant to comply with any Law, rule, regulation, procedure or other requirement or prohibits Tenant from engaging in any particular conduct, this Lease shall be deemed also to require Tenant to cause each of its employees, licensees, invitees and subtenants, and any other party claiming by, through or under Tenant, to comply with such requirement or refrain from engaging in such conduct, as the case may be. Wherever this Lease requires Landlord to provide a customary service or to act in a reasonable manner (whether in incurring an expense, establishing a rule or regulation, providing an approval or consent, or performing any other act), this Lease shall be deemed also to provide that whether such service is customary or such conduct is reasonable shall be determined by reference to the practices of owners of buildings that (i) are comparable to the Building in size, age, class, quality and location, and (ii) at Landlord's option, have been, or are being prepared to be, certified under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system or a similar rating system. Tenant waives the benefit of any rule that a written agreement shall be construed against the drafting party.

25.10 **Entire Agreement**. This Lease sets forth the entire agreement between the parties relating to the subject matter hereof and supersedes any previous agreements (none of which shall be used to interpret this Lease). Tenant acknowledges that in entering into this Lease it has not relied upon any representation, warranty or statement, whether oral or written, not expressly set forth herein. This Lease can be modified only by a written agreement signed by both parties.

25.11 **Other**. Landlord, at its option, may cure any Default, without waiving any right or remedy or releasing Tenant from any obligation, in which event Tenant shall pay Landlord, upon demand, the cost of such cure. If any provision hereof is void or unenforceable, no other provision shall be affected. Submission of this instrument for examination or signature by Tenant does not constitute an option or offer to lease, and this instrument is not binding until it has been executed and delivered by both parties. If Tenant is comprised of two or more parties, their obligations shall be joint and several. Time is of the essence with respect to the performance of every provision hereof in which time of performance is a factor. So long as Tenant performs its obligations hereunder, Tenant shall have peaceful and quiet possession of the Premises against any party claiming by, through or under Landlord, subject to the terms hereof. Landlord may transfer its interest herein, in which event Landlord shall be released from, and Tenant shall look solely to the transferee for the performance of, and the transferee shall be deemed to have assumed, all of Landlord's obligations arising hereunder after the date of such transfer, but only to the extent the transferee has assumed such obligations (whether by agreement or by operation of Law), and Tenant shall attorn to the transferee. Landlord reserves all rights not expressly granted to Tenant hereunder, including the right to make alterations to the Project. No rights to any view or to light or air over any property are granted to Tenant hereunder. The expiration or termination hereof shall not relieve either party of any obligation that accrued before, or continues to accrue after, such expiration or termination.

[SIGNATURES ARE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

LANDLORD:

CA-METRO CENTER LIMITED PARTNERSHIP,
a Delaware limited partnership

By: EOP Owner GP L.L.C., a Delaware limited liability company, its general partner

By: /s/ John C. Moe
Name: John C. Moe
Title: Marketing Managing Director

TENANT:

QUINSTREET, INC., a Delaware corporation

By: /s/ Daniel E. Caul
Name: Daniel E. Caul
Title: SVP & General Counsel
[chairman][president][vice-president]

By: /s/ Kenneth Hahn
Name: Kenneth Hahn
Title: CFO
[secretary][assistant secretary][chief financial officer][assistant treasurer]

EXHIBIT A

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

OUTLINE OF PREMISES
SUITE 400

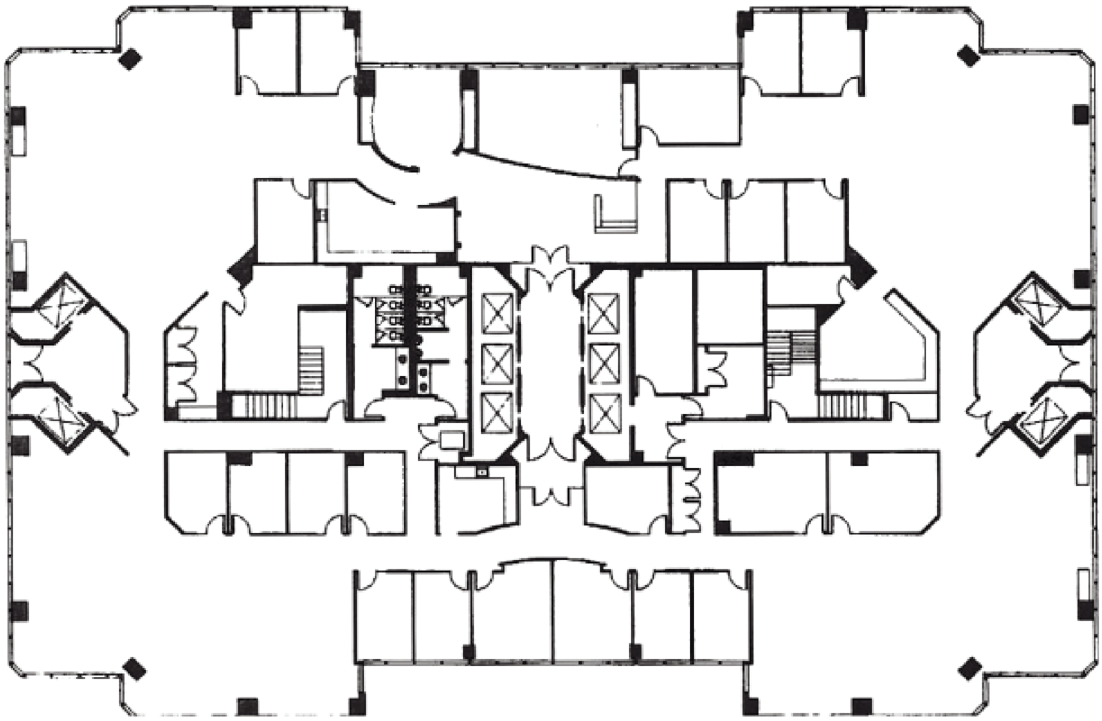

EXHIBIT A

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

OUTLINE OF PREMISES

SUITE 500

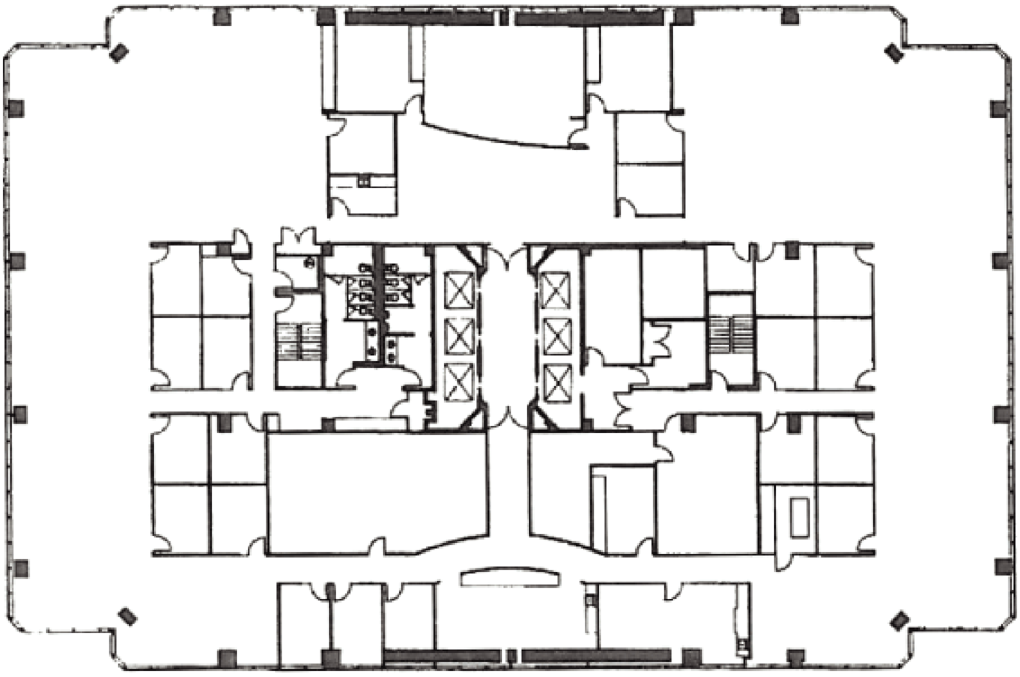

Exhibit A

EXHIBIT A

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

OUTLINE OF PREMISES

SUITE 600

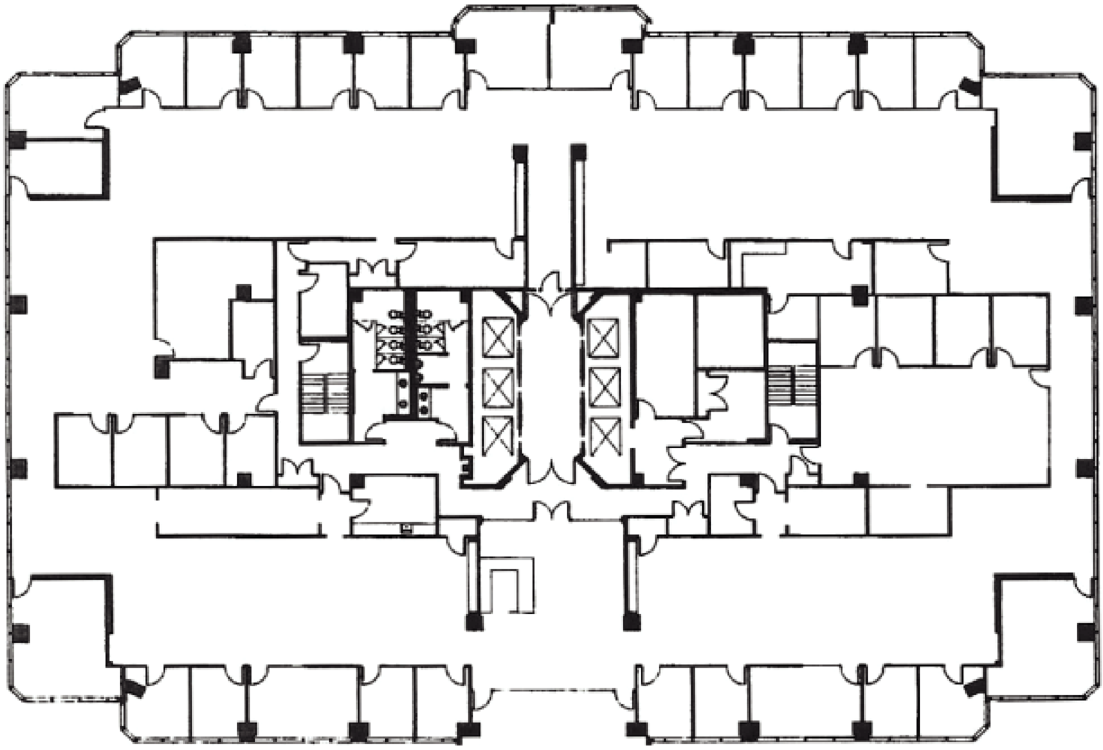

Exhibit A

EXHIBIT A-1

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

OUTLINE OF RESERVED PARKING SPACE

See Attached

EXHIBIT B

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

WORK LETTER

As used in this **Exhibit B** (this "**Work Letter**"), the following terms shall have the following meanings: "**Agreement**" means the lease of which this Work Letter is a part. "**Tenant Improvements**" means the initial Alterations performed by Tenant in order to prepare the Premises for occupancy. "**Tenant Improvement Work**" means the construction of the Tenant Improvements, together with any related work (including demolition) that is necessary to construct the Tenant Improvements.

1 ALLOWANCE.

1.1 **Allowance.** Tenant shall be entitled to a one-time tenant improvement allowance (the "**Allowance**") in the amount of $4,159,870.00 to be applied toward the Allowance Items (defined in Section 1.2 below). Tenant shall be responsible for all costs associated with the Tenant Improvement Work, including the costs of the Allowance Items, to the extent such costs exceed the lesser of (a) the Allowance, or (b) the aggregate amount that Landlord is required to disburse for such purpose pursuant to this Work Letter. Notwithstanding any contrary provision hereof, if Tenant fails to use the entire Allowance by April 30, 2011, the unused amount shall revert to Landlord and Tenant shall have no further rights with respect thereto.

1.2 **Disbursement**.

1.2.1 **Allowance Items**. Except as otherwise provided in this Work Letter, the Allowance shall be disbursed by Landlord only for the following items (the "**Allowance Items**"): (a) the fees of Tenant's architect and engineers, if any, and any fees reasonably incurred by Landlord for review of Tenant's plans and specifications (the "**Plans**") by Landlord's third party consultants; (b) plan-check, permit and license fees relating to performance of the Tenant Improvement Work; (c) the cost of performing the Tenant Improvement Work, including after hours charges, testing and inspection costs, hoisting and trash removal costs, construction management fees, and contractors' fees and general conditions; (d) the cost of any change to the base, shell or core of the Premises or Building required by the Plans (including if such change is due to the fact that such work is prepared on an unoccupied basis), including all direct architectural and/or engineering fees and expenses incurred in connection therewith; (e) the cost of any change to the Plans or Tenant Improvement Work required by Law; (f) sales and use taxes; and (g) all other costs expended by Landlord in connection with the performance of the Tenant Improvement Work.

1.2.2 **Disbursement**. *:*

1.2.2.1 **Monthly Disbursements**. Not more frequently than once per calendar month, Tenant may deliver to Landlord: (i) a request for payment of Tenant's contractor, approved by Tenant, in AIA G-702/G-703 format or another format reasonably requested by Landlord, showing the schedule of values, by trade, of percentage of completion of the Tenant Improvement Work, detailing the portion of the work completed and the portion not completed (which approved request shall be deemed Tenant's approval and acceptance of the work and materials described therein); (ii) invoices from all parties providing labor or materials to the Premises; (iii) executed conditional mechanic's lien releases from all parties providing labor or materials to the Premises (along with unconditional mechanic's lien releases for any prior payments made pursuant to this paragraph) satisfying California Civil Code § 3262(d); and (iv) all other information reasonably requested by Landlord. Within 30 days after receiving such materials, Landlord shall deliver a check to Tenant, payable jointly to Tenant and its contractor, in the amount of the lesser of (a) the amount requested by Tenant pursuant to the preceding sentence, less a 10% retention (the aggregate amount of such retentions shall be referred to in this Work Letter as the "**Final Retention**"), or (b) the amount of any remaining portion of the Allowance (not including the Final Retention). Landlord's payment of such amounts shall not be deemed Landlord's approval or acceptance of the work or materials described in Tenant's payment request.

1.2.2.2 **Final Retention**. Subject to the terms hereof, Landlord shall deliver to Tenant a check for the Final Retention within 30 days after the latest of (a) the completion of the Tenant Improvement Work in accordance with the approved plans and specifications; (b) Landlord's receipt of (i) paid invoices from all parties providing labor or materials to the Premises; (ii) executed unconditional mechanic's lien releases satisfying California Civil Code §§ 3262(d) and 3262(d)(4); (iii) a certificate from Tenant's architect, in a form reasonably acceptable to Landlord, certifying that the Tenant Improvement Work has been substantially completed; (iv) evidence that all governmental approvals required for Tenant to legally occupy the Premises have been obtained; and (v) any other information reasonably requested by Landlord; (c) Tenant's delivery to Landlord of "as built" drawings (in CAD format, if requested by Landlord); or (d) Tenant's compliance with Landlord's standard "close-out" requirements regarding city approvals, closeout tasks, Tenant's contractor, financial close-out matters, and Tenant's vendors. Landlord's payment of the Final Retention shall not be deemed Landlord's approval or acceptance of the work or materials described in Tenant's payment requests.

2 **MISCELLANEOUS.**

2.1 **Applicable Lease Provisions.** The Tenant Improvement Work shall be subject to Sections 7.2 and 7.3 of this Agreement.

2.2 **Plans and Specifications**. Landlord shall provide Tenant with notice approving or disapproving any proposed plans and specifications for the Tenant Improvement Work within the Required Period (defined below) after the later of Landlord's receipt thereof from Tenant or the mutual execution and delivery of this Agreement. As used herein, "**Required Period**" means (a) 15 business days in the case of construction drawings, and (b) 10 business days in the case of any other plans and specifications (including a space plan). Any such notice of disapproval shall describe with reasonable specificity the basis of disapproval and the changes that would be necessary to resolve Landlord's objections. Provided that Tenant's written request for approval of the construction drawings for the Tenant Improvement Work (or, as the case may be, other plans and specifications thereto), provides as follows in 14 point bold type on the top of the first page of such written request: **"LANDLORD'S FAILURE TO RESPOND WITHIN [15][10] BUSINESS DAYS TO THIS REQUEST FOR APPROVAL SHALL BE DEEMED APPROVAL OF THE ALTERATIONS PROPOSED HEREIN"**, then Landlord's failure to respond within the Required Period shall be deemed Landlord's consent to the proposed Tenant Improvement Work described with reasonable particularity in such written request. Notwithstanding the terms of Section 8 of the Lease to the contrary, if (i) when Tenant requests Landlord's approval of any Tenant Improvement Work, Tenant specifically requests that Landlord identify any such Tenant Improvement Work that will not be required to be removed pursuant to Section 8 of the Lease, (ii) Landlord fails to respond within the stated Required Period, and (iii) such Tenant Improvement Work is deemed approved in accordance with the foregoing sentence, then the following provisions shall apply with respect to such Tenant Improvement Work:

2.2.1 All such Tenant Improvement Work shall become Landlord's property upon installation and without compensation to Tenant; provided, however, that unless otherwise notified by Landlord, Tenant, at its expense and before the expiration or earlier termination hereof, shall (a) remove any such Tenant Improvement Work, (b) repair any resulting damage to the Premises or Building, and (c) restore the affected portion of the Premises to its condition existing before the installation of such Tenant Improvement Work. If Tenant fails to complete any removal, repair or restoration when required under this Section 2.2, Landlord may do so at Tenant's expense.

2.2.2 If, subsequent to Landlord's deemed approval of any such Tenant Improvement Work, Tenant specifically requests that Landlord identify any such Tenant Improvement Work that will not be required to be removed pursuant to Section 2.2.1 above, Landlord shall do so within 10 business days of such written request.

2.3 **No Coordination Fee.** Tenant shall not be obligated to pay Landlord a fee in connection with Landlord's review of the Tenant Improvement Work.

2.4 **Tenant Default.** Notwithstanding any contrary provision of this Agreement, if Tenant Defaults, then (a) Landlord's obligations under this Work Letter shall be excused, and Landlord may cause Tenant's contractor to cease performance of the Tenant Improvement Work, until such default is cured, and (b) Tenant shall be responsible for any resulting delay in the completion of the Tenant Improvement Work.

2.5 **Other.** This Work Letter shall not apply to any space other than the Premises.

EXHIBIT C

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

CONFIRMATION LETTER

____________________, 20___

To: __________________________
____
____
____

Re: Office Lease (the "**Lease**") dated __________, 2010 between **CA-METRO CENTER LIMITED PARTNERSHIP, a Delaware limited partnership** ("**Landlord**"), and **QUINSTREET, INC., a Delaware corporation** ("**Tenant**"), concerning Suites 400, 450, 500 and 600 on the 4th, 5th and 6th floor of the building located at 950 Tower Lane, Foster City, California.

Lease ID: ____________________
Business Unit Number: __________

Dear __________:

In accordance with the Lease, Tenant accepts possession of the Premises and confirms the following:

1. The Commencement Date is __________ and the Expiration Date is __________.
2. The exact number of rentable square feet within the Premises is 63,998 square feet, subject to Section 2.1.1 of the Lease.
3. Tenant's Share, based upon the exact number of rentable square feet within the Premises, is 15.8793%, subject to Section 2.1.1 of the Lease.

Please acknowledge the foregoing by signing all three (3) counterparts of this letter in the space provided below and returning two (2) fully executed counterparts to my attention. Please note that, pursuant to Section 2.1.1 of the Lease, if Tenant fails to execute and return (or, by notice to Landlord, reasonably object to) this letter within ten (10) days after receiving it, Tenant shall be deemed to have executed and returned it without exception.

"Landlord":

CA-METRO CENTER LIMITED PARTNERSHIP, a Delaware limited partnership

By: EOP Owner GP L.L.C., a Delaware limited liability company, its general partner

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

Agreed and Accepted as of __________, 200___.

"Tenant":

QUINSTREET, INC., a Delaware corporation

By: ______________________________________
Name: ______________________________________
Title: ______________________________________

EXHIBIT D

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

RULES AND REGULATIONS

Tenant shall comply with the following rules and regulations (as modified or supplemented from time to time, the "**Rules and Regulations**"). Landlord shall not be responsible to Tenant for the nonperformance of any of the Rules and Regulations by any other tenants or occupants of the Project. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Two (2) keys will be furnished by Landlord for the Premises, and any additional keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord. Upon the termination of this Lease, Tenant shall restore to Landlord all keys of stores, offices and toilet rooms furnished to or otherwise procured by Tenant, and if any such keys are lost, Tenant shall pay Landlord the cost of replacing them or of changing the applicable locks if Landlord deems such changes necessary.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises.

3. Landlord may close and keep locked all entrance and exit doors of the Building during such hours as are customary for comparable buildings in the vicinity of the Building. Tenant shall cause its employees, agents, contractors, invitees and licensees who use Building doors during such hours to securely close and lock them after such use. Any person entering or leaving the Building during such hours, or when the Building doors are otherwise locked, may be required to sign the Building register, and access to the Building may be refused unless such person has proper identification or has a previously arranged access pass. Landlord will furnish passes to persons for whom Tenant requests them. Tenant shall be responsible for all persons for whom Tenant requests passes and shall be liable to Landlord for all acts of such persons. Landlord and its agents shall not be liable for damages for any error with regard to the admission or exclusion of any person to or from the Building. In case of invasion, mob, riot, public excitement or other commotion, Landlord may prevent access to the Building or the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

4. No furniture, freight or equipment shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done only at such time and in such manner as Landlord designates. Landlord may prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property. Any damage to the Building, its contents, occupants or invitees resulting from Tenant's moving or maintaining any such safe or other heavy property shall be the sole responsibility and expense of Tenant (notwithstanding Sections 7 and 10.4 of this Lease).

5. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours, in such specific elevator and by such personnel as shall be designated by Landlord.

6. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

7. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises or the Building without Landlord's prior consent. Tenant shall not disturb, solicit, peddle or canvass any occupant of the Project.

8. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance shall be thrown therein. Notwithstanding Sections 7 and 10.4 of this Lease, Tenant shall bear the expense of any breakage, stoppage or damage resulting from any violation of this rule by Tenant or any of its employees, agents, contractors, invitees or licensees.

9. Tenant shall not overload the floor of the Premises, or mark, drive nails or screws or drill into the partitions, woodwork or drywall of the Premises, or otherwise deface the Premises, without Landlord's prior consent. Tenant shall not purchase bottled water, ice, towel, linen, maintenance or other like services from any person not approved by Landlord.

10. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained or operated in the Premises without Landlord's prior consent.

11. No inflammable, explosive or dangerous fluids or substances shall be used or kept by Tenant in the Premises or about the Project, except for such substances as are typically found in similar premises used for general office purposes and are being used by Tenant in a safe manner and in accordance with all Laws. Without limiting the foregoing, Tenant shall not, without Landlord's prior consent, use, store, install, disturb, spill, remove, release or dispose of, within or about the Premises or any other portion of the Project, any asbestos-containing materials or any solid, liquid or gaseous material now or subsequently considered toxic or hazardous under the provisions of 42 U.S.C. Section 9601 et seq. or any other applicable environmental Law. Tenant shall comply with all Laws pertaining to and governing the use of these materials by Tenant and shall remain solely liable for the costs of abatement and removal. No burning candle or other open flame shall be ignited or kept by Tenant in the Premises or about the Project.

12. Tenant shall not, without Landlord's prior consent, use any method of heating or air conditioning other than that supplied by Landlord.

13. Tenant shall not use or keep any foul or noxious gas or substance in or on the Premises, or occupy or use the Premises in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors or vibrations, or interfere with other occupants or those having business therein, whether by the use of any musical instrument, radio, CD player or otherwise. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

14. Tenant shall not bring into or keep within the Project, the Building or the Premises any animals (other than service animals), birds, aquariums, or, except in areas designated by Landlord, bicycles or other vehicles.

15. No cooking shall be done in the Premises, nor shall the Premises be used for lodging, for living quarters or sleeping apartments, or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and invitees, provided that such use complies with all Laws.

16. The Premises shall not be used for manufacturing or for the storage of merchandise except to the extent such storage may be incidental to the Permitted Use. Tenant shall not occupy the Premises as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics or tobacco, or as a medical office, a barber or manicure shop, or an employment bureau, without Landlord's prior consent. Tenant shall not engage or pay any employees in the Premises except those actually working for Tenant in the Premises, nor advertise for laborers giving an address at the Premises.

17. Landlord may exclude from the Project any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs, or who violates any of these Rules and Regulations.

18. Tenant shall not loiter in or on the entrances, corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any Common Areas for the purpose of smoking tobacco products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises.

19. Tenant shall not waste electricity, water or air conditioning, shall cooperate with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall not attempt to adjust any controls. Tenant shall install and use in the Premises only ENERGY STAR rated equipment, where available. Tenant shall use recycled paper in the Premises to the extent consistent with its business requirements.

20. Tenant shall store all its trash and garbage inside the Premises. No material shall be placed in the trash or garbage receptacles if, under Law, it may not be disposed of in the ordinary and customary manner of disposing of trash and garbage in the vicinity of the Building. All trash, garbage and refuse disposal shall be made only through entryways and elevators provided for such purposes at such times as Landlord shall designate. Tenant shall comply with Landlord's recycling program, if any.

21. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

22. Any persons employed by Tenant to do janitorial work shall be subject to Landlord’s prior consent and, while in the Building and outside of the Premises, shall be subject to the control and direction of the Building manager (but not as an agent or employee of such manager or Landlord), and Tenant shall be responsible for all acts of such persons.

23. No awning or other projection shall be attached to the outside walls of the Building without Landlord’s prior consent. Other than Landlord’s Building-standard window coverings, no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises. All electrical ceiling fixtures hung in the Premises or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and a warm white bulb color approved in advance by Landlord. Neither the interior nor exterior of any windows shall be coated or otherwise sunscreened without Landlord’s prior consent. Tenant shall abide by Landlord’s regulations concerning the opening and closing of window coverings.

24. Tenant shall not obstruct any sashes, sash doors, skylights, windows or doors that reflect or admit light or air into the halls, passageways or other public places in the Building, nor shall Tenant place any bottles, parcels or other articles on the windowsills.

25. Tenant must comply with requests by Landlord concerning the informing of their employees of items of importance to the Landlord.

26. Tenant must comply with the State of California “No-Smoking” law set forth in California Labor Code Section 6404.5 and with any local “No-Smoking” ordinance that is not superseded by such law.

27. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by Law.

28. All office equipment of an electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord, to absorb or prevent any vibration, noise or annoyance.

29. Tenant shall not use any hand trucks except those equipped with rubber tires and rubber side guards.

30. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Premises without Landlord’s prior consent.

31. Without Landlord’s prior consent, Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises.

Landlord may from time to time modify or supplement these Rules and Regulations in a manner that, in Landlord’s reasonable judgment, is appropriate for the management, safety, care and cleanliness of the Premises, the Building, the Common Areas and the Project, for the preservation of good order therein, and for the convenience of other occupants and tenants thereof, provided that (a) no such modification or supplement shall materially reduce Tenant’s rights or materially increase Tenant’s obligations hereunder and (b) in the event of any conflict between such modification or supplement and the other provisions of this Lease (other than those set forth in this **Exhibit D**), the other provisions of the Lease shall control. Landlord may waive any of these Rules and Regulations for the benefit of any tenant, but no such waiver shall be construed as a waiver of such Rule and Regulation in favor of any other tenant nor prevent Landlord from thereafter enforcing such Rule and Regulation against any tenant.

EXHIBIT E

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

JUDICIAL REFERENCE

IF (AND ONLY IF) THE JURY-WAIVER PROVISIONS OF SECTION 25.7 OF THIS LEASE ARE NOT ENFORCEABLE UNDER CALIFORNIA LAW, THE PROVISIONS SET FORTH BELOW SHALL APPLY.

It is the desire and intention of the parties to agree upon a mechanism and procedure under which controversies and disputes arising out of this Lease or related to the Premises will be resolved in a prompt and expeditious manner. Accordingly, except with respect to actions for unlawful or forcible detainer or with respect to the prejudgment remedy of attachment, any action, proceeding or counterclaim brought by either party hereto against the other (and/or against its officers, directors, employees, agents or subsidiaries or affiliated entities) on any matters arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Premises and/or any claim of injury or damage, whether sounding in contract, tort, or otherwise, shall be heard and resolved by a referee under the provisions of the California Code of Civil Procedure, Sections 638 — 645.1, inclusive (as same may be amended, or any successor statute(s) thereto) (the "Referee Sections"). Any fee to initiate the judicial reference proceedings and all fees charged and costs incurred by the referee shall be paid by the party initiating such procedure (except that if a reporter is requested by either party, then a reporter shall be present at all proceedings where requested and the fees of such reporter — except for copies ordered by the other parties — shall be borne by the party requesting the reporter); provided however, that allocation of the costs and fees, including any initiation fee, of such proceeding shall be ultimately determined in accordance with Section 25.5 of this Lease. The venue of the proceedings shall be in the county in which the Premises is located. Within 10 days of receipt by any party of a request to resolve any dispute or controversy pursuant to this **Exhibit E**, the parties shall agree upon a single referee who shall try all issues, whether of fact or law, and report a finding and judgment on such issues as required by the Referee Sections. If the parties are unable to agree upon a referee within such 10-day period, then any party may thereafter file a lawsuit in the county in which the Premises is located for the purpose of appointment of a referee under the Referee Sections. If the referee is appointed by the court, the referee shall be a neutral and impartial retired judge with substantial experience in the relevant matters to be determined, from Jams/Endispute, Inc., ADR Services, Inc. or a similar mediation/arbitration entity approved by each party in its sole and absolute discretion. The proposed referee may be challenged by any party for any of the grounds listed in the Referee Sections. The referee shall have the power to decide all issues of fact and law and report his or her decision on such issues, and to issue all recognized remedies available at law or in equity for any cause of action that is before the referee, including an award of attorneys' fees and costs in accordance with this Lease. The referee shall not, however, have the power to award punitive damages, nor any other damages that are not permitted by the express provisions of this Lease, and the parties waive any right to recover any such damages. The parties may conduct all discovery as provided in the California Code of Civil Procedure, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge, with rights to regulate discovery and to issue and enforce subpoenas, protective orders and other limitations on discovery available under California Law. The reference proceeding shall be conducted in accordance with California Law (including the rules of evidence), and in all regards, the referee shall follow California Law applicable at the time of the reference proceeding. The parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms of this **Exhibit E**. In this regard, the parties agree that the parties and the referee shall use best efforts to ensure that (a) discovery be conducted for a period no longer than 6 months from the date the referee is appointed, excluding motions regarding discovery, and (b) a trial date be set within 9 months of the date the referee is appointed. In accordance with Section 644 of the California Code of Civil Procedure, the decision of the referee upon the whole issue must stand as the decision of the court, and upon the filing of the statement of decision with the clerk of the court, or with the judge if there is no clerk, judgment may be entered thereon in the same manner as if the action had been tried by the court. Any decision of the referee and/or judgment or other order entered thereon shall be appealable to the same extent and in the same manner that such decision, judgment, or order would be appealable if rendered by a judge of the superior court in which venue is proper hereunder. The referee shall in his/her statement of decision set forth his/her findings of fact and conclusions of law. The parties intend this general reference agreement to be specifically enforceable in accordance with the Code of Civil Procedure. Nothing in this **Exhibit E** shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competent jurisdiction as shall otherwise be available under the Code of Civil Procedure and/or applicable court rules.

EXHIBIT F

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

ADDITIONAL PROVISIONS

1. **Asbestos Notification**. Tenant acknowledges that it has received the asbestos notification letter attached to this Lease as **Exhibit G**, disclosing the existence of asbestos in the Building. Tenant agrees to comply with the California "Connelly Act" and other applicable laws, including by providing copies of Landlord's asbestos notification letter to all of Tenant's "employees" and "owners", as those terms are defined in the Connelly Act and other applicable laws.

2. **Provisions Required Under Existing Security Agreement.** Notwithstanding any contrary provision of this Lease:

   A. **Permitted Use.** No portion of the Premises shall be used for any of the following uses: any pornographic or obscene purposes, any commercial sex establishment, any pornographic, obscene, nude or semi-nude performances, modeling, materials, activities, or sexual conduct or any other use that, as of the time of the execution hereof, has or could reasonably be expected to have a material adverse effect on the Property or its use, operation or value.

   B. **Subordination and Attornment.** This Lease shall be subject and subordinate to any Security Agreement (other than a ground lease) existing as of the date of mutual execution and delivery of this Lease (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, an "**Existing Security Agreement**") or any loan document secured by any Existing Security Agreement (an "**Existing Loan Document**"). In the event of the enforcement by any Security Holder of any remedy under any Existing Security Agreement or Existing Loan Document, Tenant shall, at the option of the Security Holder or of any other person or entity succeeding to the interest of the Security Holder as a result of such enforcement, attorn to the Security Holder or to such person or entity and shall recognize the Security Holder or such successor in the interest as lessor under this Lease without change in the provisions thereof; provided, however, the Security Holder or such successor in interest shall not be liable for or bound by (i) any payment of an installment of rent or additional rent which may have been made more than thirty (30) days before the due date of such installment, (ii) any act or omission of or default by Landlord under this Lease (but the Security Holder, or such successor, shall be subject to the continuing obligations of Landlord to the extent arising from and after such succession to the extent of the Security Holder's, or such successor's, interest in the Property), (iii) any credits, claims, setoffs or defenses which Tenant may have against Landlord, or (iv) any obligation under this Lease to maintain a fitness facility at the Property. Tenant, upon the reasonable request by the Security Holder or such successor in interest, shall execute and deliver an instrument or instruments confirming such attornment. Notwithstanding the foregoing, in the event the Security Holder under any Existing Security Agreement or Existing Loan Document shall have entered into a separate subordination, attornment and non-disturbance agreement directly with Tenant governing Tenant's obligation to attorn to the Security Holder or such successor in interest as lessor (including, without limitation, any such agreement executed and delivered pursuant to Section 17.1 of the Lease), the terms and provisions of such agreement shall supersede the provisions of this Subsection.

   C. **Proceeds.**

      1. As used herein, "**Proceeds**" means any compensation, awards, proceeds, damages, claims, insurance recoveries, causes or rights of action (whenever accrued) or payments which Landlord may receive or to which Landlord may become entitled with respect to the Property or any part thereof (other than payments received in connection with any liability or loss of rental value or business interruption insurance) in connection with any taking by condemnation or eminent domain ("**Taking**") of, or any casualty or other damage or injury to, the Property or any part thereof.

      2. Nothing in this Lease shall be deemed to entitle Tenant to receive and retain Proceeds except those that may be specifically awarded to it in condemnation proceedings because of the Taking of its trade fixtures and its leasehold

improvements which have not become part of the Property and such business loss as Tenant may specifically and separately establish. Nothing in the preceding sentence shall be deemed to expand any right Tenant may have under this Lease to receive or retain any Proceeds.

3. Nothing in this Lease shall be deemed to prevent Proceeds from being held and disbursed by any Security Holder under any Existing Loan Documents in accordance with the terms of such Existing Loan Documents. However, if, in the event of any casualty or partial Taking, any obligation of Landlord under this Lease to restore the Premises or the Building is materially diminished by the operation of the preceding sentence, then Landlord, as soon as reasonably practicable after the occurrence of such casualty or partial Taking, shall provide written notice to Tenant describing such diminution with reasonably specificity, whereupon, unless Landlord has agreed in writing, in its sole and absolute discretion, to waive such diminution, Tenant, by written notice to Landlord delivered within 10 days after receipt of Landlord's notice, shall have the right to terminate this Lease effective 10 days after the date of such termination notice.

3. **Outdoor Patio**.

3.1. During the Term and subject to the terms of this Section 3, Tenant shall have the right to use the areas shown on **Exhibit H** attached hereto for outdoor seating (each an "**Outdoor Patio**" and collectively, the "**Outdoor Patios**"). Tenant, at its cost, shall obtain any governmental approvals that may be necessary for Tenant to lawfully use the Outdoor Patios, and in all other respects Tenant's use of the Outdoor Patios shall comply with all applicable Laws. The Outdoor Patios shall be deemed part of the Premises for purposes of Tenant's insurance, waiver, release and indemnification obligations under the Lease.

3.2. Tenant shall not construct any improvements in or on the Outdoor Patios; provided, however, that, subject to applicable Law and Landlord's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), Tenant, at its cost, may fabricate and install signage at the entrance to the Outdoor Patios which indicates that such Outdoor Patios are for the exclusive use of the Tenant. Tenant shall remove any such signage upon the expiration or earlier termination of the Term and restore such areas of the Building to the condition which existed prior to such signage installation. Notwithstanding any provision in the Lease to the contrary, Landlord shall have no obligation to restrict others from entering into or using the Outdoor Patios; provided, however, that Landlord shall not enter into a license or lease with another person or entity for such Outdoor Patios. Tenant, at its expense, may furnish each of the Outdoor Patios with up to 4 tables, 4 chairs, and a reasonable number of trash receptacles (collectively, the "**Outdoor Furniture**"); provided, however, that the color, design, material, finish, size, location and method of installation of the Outdoor Furniture shall be subject to Landlord's prior approval in its reasonable discretion. No item of Outdoor Furniture shall display any logo or graphics, and no material component of any item of Outdoor Furniture shall be made of plastic. Except as otherwise explicitly permitted in this Section 3, Tenant shall not place any furniture or other personalty in or on the Outdoor Patios.

3.3. Tenant, at its cost, shall (i) keep the Outdoor Patios and the Outdoor Furniture free of trash and litter and otherwise in a sanitary, clean, neat and orderly condition; (ii) keep the Outdoor Furniture and any Tenant installed signage in good working order and condition; and (iii) maintain the appearance of the Outdoor Furniture and any Tenant installed signage. Without limiting the foregoing, upon Landlord's request from time to time, Tenant, at its expense, shall refurbish or replace any item of Outdoor Furniture or Tenant installed signage that Landlord determines in good faith requires such refurbishment or replacement.

3.4. If Tenant fails to perform any of its obligations under this Section 3, beyond any applicable notice and cure period, then Landlord, at its option, may (i) perform such obligation at Tenant's cost, or (ii) by notice to Tenant, terminate Tenant's rights to use the Outdoor Patios. No reduction or termination of Tenant's rights with respect to the Outdoor Patios shall diminish or otherwise affect Tenant's obligations under the Lease.

4. **Letter of Credit**.

4.1 **General Provisions**. Concurrently with Tenant's execution of this Lease, Tenant shall deliver to Landlord, as collateral for the full performance by Tenant of all of its obligations under this Lease and for all losses and damages Landlord may suffer as a result of any default by Tenant under this Lease, including, but not limited to, any post lease termination damages under section 1951.2 of the California Civil Code, a standby, unconditional, irrevocable, transferable letter of credit (the "**Letter of Credit**") in either (i) the form of **Exhibit I** hereto and containing the terms required herein or (ii) in such other standard form of the financial institution issuing such Letter of Credit, so long as (a) such standard form contains the terms required herein, (b) such standard form contains terms that are materially consistent with the terms set forth in the form attached hereto as **Exhibit I**, and (c) such standard form contains only those other terms that are acceptable to the Landlord in its reasonable discretion. The Letter of Credit shall be in the face amount of **$500,000.00** (the "**Letter of Credit Amount**"), name Landlord as beneficiary, and permit multiple and partial draws. The Letter of Credit shall be issued (or confirmed) by a financial institution that meets the Minimum Financial Requirement and is otherwise reasonably acceptable to Landlord. For purposes hereof, a financial institution shall be deemed to meet the "**Minimum Financial Requirement**" on a particular date if and only if, as of such date, such financial institution (x) has not been placed into receivership by the FDIC; and (y) has a financial strength that, in Landlord's good faith judgment, is not less than that which is then generally required by Landlord and its affiliates as a condition to accepting letters of credit in support of new leases. Tenant shall cause the Letter of Credit to be continuously maintained in effect (whether through replacement, renewal or extension) in the Letter of Credit Amount through the date (the "**Final LC Expiration Date**") that is 120 days after the scheduled expiration date of the Term, the Extension Term (as applicable), the Second Extension Term (as applicable) or any other renewal term. If the Letter of Credit held by Landlord expires earlier than the Final LC Expiration Date (whether by reason of a stated expiration date or a notice of termination or non-renewal given by the issuing bank), Tenant shall deliver a new Letter of Credit or certificate of renewal or extension to Landlord not later than 30 days prior to the expiration date of the Letter of Credit then held by Landlord. Any renewal or replacement Letter of Credit shall comply with all of the provisions of this Section 4, shall be irrevocable, transferable and shall remain in effect (or be automatically renewable) through the Final LC Expiration Date.

4.2 **Drawings under Letter of Credit**. Landlord shall have the immediate right to draw upon the Letter of Credit, in whole or in part, at any time and from time to time: (i) If a Default occurs; or (ii) If the Letter of Credit held by Landlord expires earlier than the Final LC Expiration Date (whether by reason of a stated expiration date or a notice of termination or non-renewal given by the issuing bank), and Tenant fails to deliver to Landlord, at least 30 days prior to the expiration date of the Letter of Credit then held by Landlord, a renewal or substitute Letter of Credit that is in effect and that complies with the provisions of this Section 4. No condition or term of this Lease shall be deemed to render the Letter of Credit conditional to justify the issuer of the Letter of Credit in failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant hereby acknowledges and agrees that Landlord is entering into this Lease in material reliance upon the ability of Landlord to draw upon the Letter of Credit upon the occurrence of any Default by Tenant under this Lease or upon the occurrence of any of the other events described above in this Section 4.

4.3 **Use of Proceeds by Landlord**. The proceeds of the Letter of Credit shall constitute Landlord's sole and separate property (and not Tenant's property or the property of Tenant's bankruptcy estate) and Landlord may immediately upon any draw (and without notice to Tenant) apply or offset the proceeds of the Letter of Credit: (i) against any Rent payable by Tenant under this Lease that is not paid when due; (ii) against all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it may suffer as a result of any Default by Tenant under this Lease, including any damages arising under section 1951.2 of the California Civil Code following termination of the Lease; (iii) against any costs incurred by Landlord in connection with the Lease (including attorneys' fees); and (iv) against any other amount that Landlord may spend or become obligated to spend by reason of Tenant's Default. Provided Tenant is not in Default of any of its obligations under this Lease, Landlord agrees to pay to Tenant within 30 days after the Final LC Expiration Date the amount of any proceeds of the Letter of Credit received by Landlord and not applied as allowed above; provided, that if prior to the Final LC Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant's creditors, under the Federal Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the unused Letter of Credit proceeds until either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed, in each case pursuant to a final court order not subject to appeal or any stay pending appeal.

4.4 **__Additional Covenants of Tenant__**. If, as result of any proper application or use by Landlord of all or any part of the Letter of Credit, the amount of the Letter of Credit shall be less than the Letter of Credit Amount, Tenant shall, within five days thereafter, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency (or a replacement letter of credit in the total Letter of Credit Amount), and any such additional (or replacement) letter of credit shall comply with all of the provisions of this __Section 4__, and if Tenant fails to comply with the foregoing, notwithstanding anything to the contrary contained in this Lease, the same shall constitute an uncurable Default by Tenant. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

4.5 **__Transfer of Letter of Credit__**. Landlord may, at any time and without notice to Tenant and without first obtaining Tenant's consent thereto, transfer all or any portion of its interest in and to the Letter of Credit to another party, person or entity, including Landlord's mortgagee and/or to have the Letter of Credit reissued in the name of Landlord's Mortgagee. If Landlord transfers its interest in the Building and transfers the Letter of Credit (or any proceeds thereof then held by Landlord) in whole or in part to the transferee, Landlord shall, without any further agreement between the parties hereto, thereupon be released by Tenant from all liability therefor. The provisions hereof shall apply to every transfer or assignment of all or any part of the Letter of Credit to a new landlord. In connection with any such transfer of the Letter of Credit by Landlord, Tenant shall, at Tenant's sole cost and expense, execute and submit to the issuer of the Letter of Credit such applications, documents and instruments as may be necessary to effectuate such transfer. Tenant shall be responsible for paying the issuer's transfer and processing fees in connection with any transfer of the Letter of Credit and, if Landlord advances any such fees (without having any obligation to do so), Tenant shall reimburse Landlord for any such transfer or processing fees within ten days after Landlord's written request therefor.

4.6 **__Nature of Letter of Credit__**. Landlord and Tenant (1) acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal thereof or substitute therefor or any proceeds thereof (including the LC Proceeds Account) be deemed to be or treated as a "security deposit" under any Law applicable to security deposits in the commercial context including Section 1950.7 of the California Civil Code, as such section now exist or as may be hereafter amended or succeeded ("**__Security Deposit Laws__**"), (2) acknowledge and agree that the Letter of Credit (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevancy thereto, and (3) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws.

4.7 **__Not a Security Deposit__**. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of Law, now or hereafter in effect, which (i) establish the time frame by which Landlord must refund a security deposit under a lease, and/or (ii) provide that Landlord may claim from the security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums specified in this __Section 4__ above and/or those sums reasonably necessary to compensate Landlord for any loss or damage caused by Tenant's breach of this Lease or the acts or omission of Tenant or any other Tenant Parties (as defined below), including any damages Landlord suffers following termination of the Lease. As used herein, "**Tenant Parties**" shall mean Tenant and its (direct or indirect) owners, and their respective beneficiaries, trustees, officers, directors, employees and agents.

5. **__Early Entry for Suites 400, 450 and 500.__** After the final execution and delivery (in each parties' sole and absolute discretion) of this Lease and provided Tenant has delivered the prepaid Base Rent, the Letter of Credit and insurance certificates (pursuant to __Section 10.3__ of this Lease), Tenant may enter Suites 400, 450 and 500 of the Building prior to the Commencement Date, at its sole risk for the purpose of performing the Tenant Improvement Work (as defined in **__Exhibit B__** hereto) and for the Permitted Use. Other than the obligation to pay Base Rent and Tenant's Share of any Expense Excess or Tax Excess, all of Tenant's obligations hereunder shall apply during any period of such early entry.

6. **__Early Entry for Suite 600.__** Effective as of April 1, 2010 (the "**Suite 600 Early Access Date**"), so long as this Lease has been fully executed and delivered (in each parties' sole and absolute discretion) and Tenant has delivered the prepaid Base Rent, the Letter of Credit and insurance

certificates (pursuant to Section 10.3 of this Lease), Tenant may enter Suite 600 of the Building prior the Commencement Date, at its sole risk for the purpose of performing the Tenant Improvement Work (as defined in **Exhibit B** hereto) and for the Permitted Use. Other than the obligation to pay Base Rent and Tenant's Share of any Expense Excess or Tax Excess, all of Tenant's obligations hereunder shall apply during any period of such early entry. Notwithstanding the foregoing, if Landlord fails to provide Tenant with early access to Suite 600 of the Building on or before the Suite 600 Early Access Date, as a result of any holdover or unlawful possession by another party, Landlord shall use reasonable efforts to obtain possession of such space and the Suite 600 Early Access Date shall be the date on which Landlord provides access to Suite 600 of the Building to Tenant free from occupancy by any party. Any such delay in the Suite 600 Early Access Date shall not subject Landlord to any liability for any loss or damage resulting therefrom. If the Suite 600 Early Access Date is delayed, the expiration date under the Lease shall not be similarly extended.

7. **Extension Option.**

7.1. Grant of Option; Conditions. Tenant shall have the right (the "**Extension Option**") to extend the Term for one additional period of one (1) year commencing on the day following the Expiration Date and ending on the first anniversary of the Expiration Date (the "**Extension Term**"), if:

A. Not less than 9 and not more than 15 full calendar months before the Expiration Date, Tenant delivers written notice to Landlord ("**Extension Notice**") electing to exercise the Extension Option;

B. Tenant is not in default under the Lease beyond any applicable cure period when Tenant delivers the Extension Notice;

C. No part of the Premises is sublet (other than pursuant to a Permitted Transfer) when Tenant delivers the Extension Notice; and

D. The Lease has not been assigned (other than pursuant to a Permitted Transfer) before Tenant delivers the Extension Notice.

7.2. Terms Applicable to Extension Term**.**

A. During the Extension Term, (a) the Base Rent rate per rentable square foot shall be equal to a rate of $3.45 per rentable square foot per month; and (b) Base Rent shall be payable in monthly installments in accordance with the terms and conditions of the Lease.

B. During the Extension Term, Tenant shall pay Tenant's Share of Expenses and Taxes for the Premises in accordance with the Lease.

7.3. Extension Amendment**.** If Tenant is entitled to and properly exercises its Extension Option, Landlord, within a reasonable time thereafter, shall prepare and deliver to Tenant an amendment (the "**Extension Amendment**") reflecting changes in the Base Rent, the Term, the Expiration Date, and other appropriate terms, and Tenant shall execute and return the Extension Amendment to Landlord within 15 days after receiving it.

7.4. Intentionally Omitted.

8. **Second Extension Option.**

8.1. Grant of Option; Conditions. Tenant shall have the right (the "**Second Extension Option**") to extend the term of the Lease for one additional period of one (1) year commencing on the day following the expiration of the Extension Term (if any) and ending on the first anniversary thereof (the "**Second Extension Term**"), if:

A. Not less than 6 and not more than 12 full calendar months before the expiration date of the Extension Term (if any), Tenant delivers written notice to Landlord (for purposes hereof, the "**Second Extension Notice**") electing to exercise the Second Extension Option;

B. Tenant is not in default under the Lease beyond any applicable cure period when Tenant delivers the Second Extension Notice;

C. No part of the Premises is sublet (other than pursuant to a Permitted Transfer) when Tenant delivers the Second Extension Notice; and

D. The Lease has not been assigned (other than pursuant to a Permitted Transfer) before Tenant delivers the Second Extension Notice.

8.2. Terms Applicable to Second Extension Term**.**

A. During the Second Extension Term, (a) the Base Rent rate per rentable square foot shall be equal to a rate of $3.55 per rentable square foot per month; and (b) Base Rent shall be payable in monthly installments in accordance with the terms and conditions of the Lease.

B. During the Second Extension Term, Tenant shall pay Tenant's Share of Expenses and Taxes for the Premises in accordance with the Lease.

8.3. Second Extension Amendment**.** If Tenant is entitled to and properly exercises its Second Extension Option, Landlord, within a reasonable time thereafter, shall prepare and deliver to Tenant an amendment (for purposes hereof, the "**Second Extension Amendment**") reflecting changes in the Base Rent, the term of the Lease, the expiration date of the Lease, and other appropriate terms, and Tenant shall execute and return the Second Extension Amendment to Landlord within 15 days after receiving it.

8.4. Intentionally Omitted.

9. **Right of First Refusal.**

9.1 Grant of Option; Conditions. Tenant shall have a one-time right of first refusal (the "**Right of First Refusal**") with respect to each of the following suites (and with respect to each portion of each such suite) (each such suite or portion thereof, a "**Potential Refusal Space**"): (i) the 11,487 rentable square feet known as Suite 700 on the seventh floor of the Building shown on the demising plan attached to the Lease as **Exhibit J**, (ii) the 2,581rentable square feet known as Suite 730 on the seventh floor of the Building shown on the demising plan attached to the Lease as **Exhibit K**; (iii) the 3,033 rentable square feet known as Suite 750 on the seventh floor of the Building shown on the demising plan attached to the Lease as **Exhibit L**; (iv) the 1,971 rentable square feet known as Suite 770 on the seventh floor of the Building shown on the demising plan attached to the Lease as **Exhibit M**; (v) the 1,581 rentable square feet known as Suite 780 on the seventh floor of the Building shown on the demising plan attached to the Lease as **Exhibit N**; (vi) the 1,939 rentable square feet known as Suite 790 on the seventh floor of the Building shown on the demising plan attached to the Lease as **Exhibit O**; (vii) the 9,451 rentable square feet known as Suite 800 on the eighth floor of the Building shown on the demising plan attached to the Lease as **Exhibit P**; (viii) the 9,037 rentable square feet known as Suite 870 on the eighth floor of the Building shown on the demising plan attached to the Lease as **Exhibit Q**; and (ix) the 4,107 rentable square feet known as Suite 888 on the eighth floor of the Building shown on the demising plan attached to the Lease as **Exhibit R** . Tenant's Right of First Refusal shall be exercised as follows: when Landlord has a prospective tenant, other than any existing occupant of such space, (the "**Prospect**") interested in leasing any Potential Refusal Space, Landlord shall advise Tenant (the "**Advice**") of the terms under which Landlord is prepared to lease such Potential Refusal Space (a "**Refusal Space**") to such Prospect and Tenant may lease the Refusal Space, under such terms, by delivery of written notice of exercise to Landlord (the "**Notice of Exercise**") within five (5) days after the date of the Advice, except that Tenant shall have no such Right of First Refusal, and Landlord need not provide Tenant with an Advice with respect to any Potential Refusal Space, if:

A. Tenant is in default under the Lease beyond any applicable cure periods at the time that Landlord would otherwise deliver the Advice; or

B. the Premises, or any portion thereof, is sublet (other than pursuant to a Permitted Transfer, as defined in Section 14.8 of the Lease) at the time Landlord would otherwise deliver the Advice; or

C. a Transfer (defined in Section 14 of the Lease), other than a sublease or a Permitted Transfer (defined in Section 14.8 of the Lease), has occurred before the date Landlord would otherwise deliver the Advice; or

D. Tenant is not occupying the Premises on the date Landlord would otherwise deliver the Advice; or

E. such Potential Refusal Space is not intended for the exclusive use of Tenant during the Term.

9.2 Terms for Refusal Space.

A. If Tenant elects to exercise its Right of First Refusal, the Term for the Refusal Space shall commence upon the commencement date stated in the Advice, and upon such commencement date such Refusal Space shall be considered a part of the Premises, provided that all of the terms stated in such Advice, including the expiration date set forth in the Advice, shall govern Tenant's leasing of the Refusal Space and only to the extent that they do not conflict with the Advice, the terms and conditions of the Lease shall apply to the Refusal Space. Tenant shall pay Base Rent and Additional Rent for the Refusal Space in accordance with the terms and conditions of the Advice.

B. The Refusal Space (including improvements and personalty, if any) shall be accepted by Tenant in its condition and as-built configuration existing on the earlier of the date Tenant takes possession of the Refusal Space or the date the term for such Refusal Space commences, unless the Advice specifies work to be performed by Landlord in the Refusal Space, in which case Landlord shall perform such work in the Refusal Space. If Landlord is delayed delivering possession of the Refusal Space due to the holdover or unlawful possession of such space by any party, Landlord shall use reasonable efforts to obtain possession of the space, and the commencement of the term for the Refusal Space shall be postponed until the date Landlord delivers possession of the Refusal Space to Tenant free from occupancy by any party.

9.3 Termination of Right of First Refusal. The rights of Tenant hereunder with respect to any Potential Refusal Space shall terminate on the earlier to occur of: (i) October 31, 2017 (unless Tenant has exercised its Extension Option (defined in Section 7 above) and/or the Second Extension Option (defined in Section 8 above), in which event the date shall be one (1) year before the scheduled expiration date of the Extension Term or, as applicable, the date that is one (1) year before the scheduled expiration date of the Second Extension Term); (ii) Tenant's failure to exercise its Right of First Refusal with respect to such Potential Refusal Space within the five (5)-day period provided in Section 9.1 above; and (iii) the date Landlord would have provided Tenant an Advice for such Potential Refusal Space if Tenant had not been in violation of one or more of the conditions set forth in Section 9.1 above. In addition, if Landlord provides Tenant with an Advice for any Refusal Space that contains expansion rights (whether such rights are described as an expansion option, right of first refusal, right of first offer or otherwise) with respect to any other Potential Refusal Space (such other Potential Refusal Space subject to such expansion rights is referred to herein as an "**Encumbered Potential Refusal Space**") and Tenant does not exercise its Right of First Refusal to lease such Refusal Space pursuant to the Advice, Tenant's Right of First Refusal with respect to the Encumbered Potential Refusal Space shall be subject and subordinate to all such expansion rights contained in the Advice.

9.4 Refusal Space Amendment. If Tenant exercises its Right of First Refusal, Landlord shall prepare an amendment (the "**Refusal Space Amendment**") adding the Refusal Space to the Premises on the terms set forth in the Advice and reflecting the changes in the Base Rent, rentable square footage of the Premises, Tenant's Share and other appropriate terms. A copy of the Refusal Space Amendment shall be sent to Tenant within a reasonable time after Landlord's receipt of the Notice of Exercise executed by Tenant, and Tenant shall execute and return the Refusal Space Amendment to Landlord within 15 days thereafter, but an otherwise valid exercise of the Right of First Refusal shall be fully effective whether or not the Refusal Space Amendment is executed.

9.5 Intentionally Omitted.

10. **Tenant Security System**. Subject to all provisions of this Lease applicable to Alterations and Tenant-Insured Improvements, Tenant shall be permitted to install a security system for the Premises ("**Tenant Security System**"). Tenant shall provide Landlord with such access cards, keys, code information and other materials and information as may be necessary for Landlord to access the Premises. From time to time Landlord may review any Tenant Security System, and if Landlord reasonably determines that such Tenant Security System adversely affects the Premises, the Base Building, the Building, or any other occupants of the Building, then, within a reasonable

time after Landlord's written request, Tenant shall make reasonable changes in personnel and/or equipment in order to eliminate such adverse effect.

11. **Supplemental HVAC**. Subject to the terms of this Section 11, Tenant may install and operate in the Premises up to six (6) supplemental HVAC units (each, a "**Supplemental HVAC Unit**"). Two (2) of the Supplemental HVAC Units may be up to fifteen tons each and four (4) of the Supplemental HVAC Units may be up to two (2) tons each. Each of the Supplemental HVAC Units shall be connected to the Building's condenser water loop; provided, however, that Tenant shall not use more than its proportionate share of the Building's excess water condenser capacity. All aspects of each Supplemental HVAC Unit, including its location within the Premises, the manner in which it is vented, and the manner in which it is connected to the Building's condenser water loop, shall be subject to Landlord's prior approval pursuant to Sections 7.2 and 7.3 of this Lease. Tenant shall pay the cost of all electricity consumed in connection with the operation of each Supplemental HVAC Unit, together with the cost of installing a submeter to measure such electrical consumption. Tenant, at its expense, shall maintain and repair each Supplemental HVAC Unit in good working order and condition. Without limiting the foregoing, Tenant, at its expense, shall procure and maintain in effect throughout the Term a contract (the "**Service Contract**") for the maintenance, repair and replacement of the Supplemental HVAC Units with a contractor reasonably approved by Landlord. Tenant shall follow all reasonable recommendations of such contractor for the maintenance, repair and replacement of the Supplemental HVAC Units. The Service Contract shall require the contractor, at intervals of not less than three (3) months, to inspect the Supplemental HVAC Units and provide to Tenant a report of any defective conditions, together with any recommendations for maintenance, repair and/or replacement. Tenant shall provide Landlord with a copy of the Service Contract and each quarterly service report issued thereunder promptly upon mutual execution or receipt thereof. Upon the expiration or earlier termination of this Lease, Tenant shall convey title to the Supplemental HVAC Unit(s) to Landlord, free of any encumbrance; provided, however, that to the extent required by Section 8 of the Lease or Section 2.2 of **Exhibit B** hereto (as applicable), Tenant, at its expense, shall remove the Supplemental HVAC Unit(s) and repair any resulting damage.

EXHIBIT G

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

ASBESTOS NOTIFICATION

Asbestos-containing materials ("**ACMs**") were historically commonly used in the construction of commercial buildings across the country. ACMs were commonly used because of their beneficial qualities; ACMs are fire-resistant and provide good noise and temperature insulation.

Some common types of ACMs include surfacing materials (such as spray-on fireproofing, stucco, plaster and textured paint), flooring materials (such as vinyl floor tile and vinyl floor sheeting) and their associated mastics, carpet mastic, thermal system insulation (such as pipe or duct wrap, boiler wrap and cooling tower insulation), roofing materials, drywall, drywall joint tape and drywall joint compound, acoustic ceiling tiles, transite board, base cove and associated mastic, caulking, window glazing and fire doors. These materials are not required under law to be removed from any building (except prior to demolition and certain renovation projects). Moreover, ACMs generally are not thought to present a threat to human health unless they cause a release of asbestos fibers into the air, which does not typically occur unless (1) the ACMs are in a deteriorated condition, or (2) the ACMs have been significantly disturbed (such as through abrasive cleaning, or maintenance or renovation activities).

It is possible that some of the various types of ACMs noted above (or other types) are present at various locations in the Building. Anyone who finds any such materials in the building should assume them to contain asbestos unless those materials are properly tested and determined to be otherwise. In addition, Landlord has identified the presence of certain ACMs in the Building. For information about the specific types and locations of these identified ACMs, please contact the Building manager. The Building manager maintains records of the Building's asbestos information including any Building asbestos surveys, sampling and abatement reports. This information is maintained as part of Landlord's asbestos Operations and Maintenance Plan ("**O&M Plan**").

The O&M Plan is designed to minimize the potential of any harmful asbestos exposure to any person in the building. Because Landlord is not a physician, scientist or industrial hygienist, Landlord has no special knowledge of the health impact of exposure to asbestos. Therefore, Landlord hired an independent environmental consulting firm to prepare the Building's O&M Plan. The O&M Plan includes a schedule of actions to be taken in order to (1) maintain any building ACMs in good condition, and (2) to prevent any significant disturbance of such ACMs. Appropriate Landlord personnel receive regular periodic training on how to properly administer the O&M Plan.

The O&M Plan describes the risks associated with asbestos exposure and how to prevent such exposure. The O&M Plan describes those risks, in general, as follows: asbestos is not a significant health concern unless asbestos fibers are released and inhaled. If inhaled, asbestos fibers can accumulate in the lungs and, as exposure increases, the risk of disease (such as asbestosis and cancer) increases. However, measures taken to minimize exposure and consequently minimize the accumulation of fibers, can reduce the risk of adverse health effects.

The O&M Plan also describes a number of activities which should be avoided in order to prevent a release of asbestos fibers. In particular, some of the activities which may present a health risk (because those activities may cause an airborne release of asbestos fibers) include moving, drilling, boring or otherwise disturbing ACMs. Consequently, such activities should not be attempted by any person not qualified to handle ACMs. In other words, the approval of Building management must be obtained prior to engaging in any such activities. Please contact the Building manager for more information in this regard. A copy of the written O&M Plan for the Building is located in the Building Management Office and, upon your request, will be made available to tenants to review and copy during regular business hours.

Because of the presence of ACM in the Building, Landlord is also providing the following warning, which is commonly known as a California Proposition 65 warning:

WARNING: This building contains asbestos, a chemical known to the State of California to cause cancer.

Please contact the Building manager with any questions regarding the contents of this **Exhibit G**.

<u>EXHIBIT H</u>

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

<u>OUTDOOR PATIOS</u>

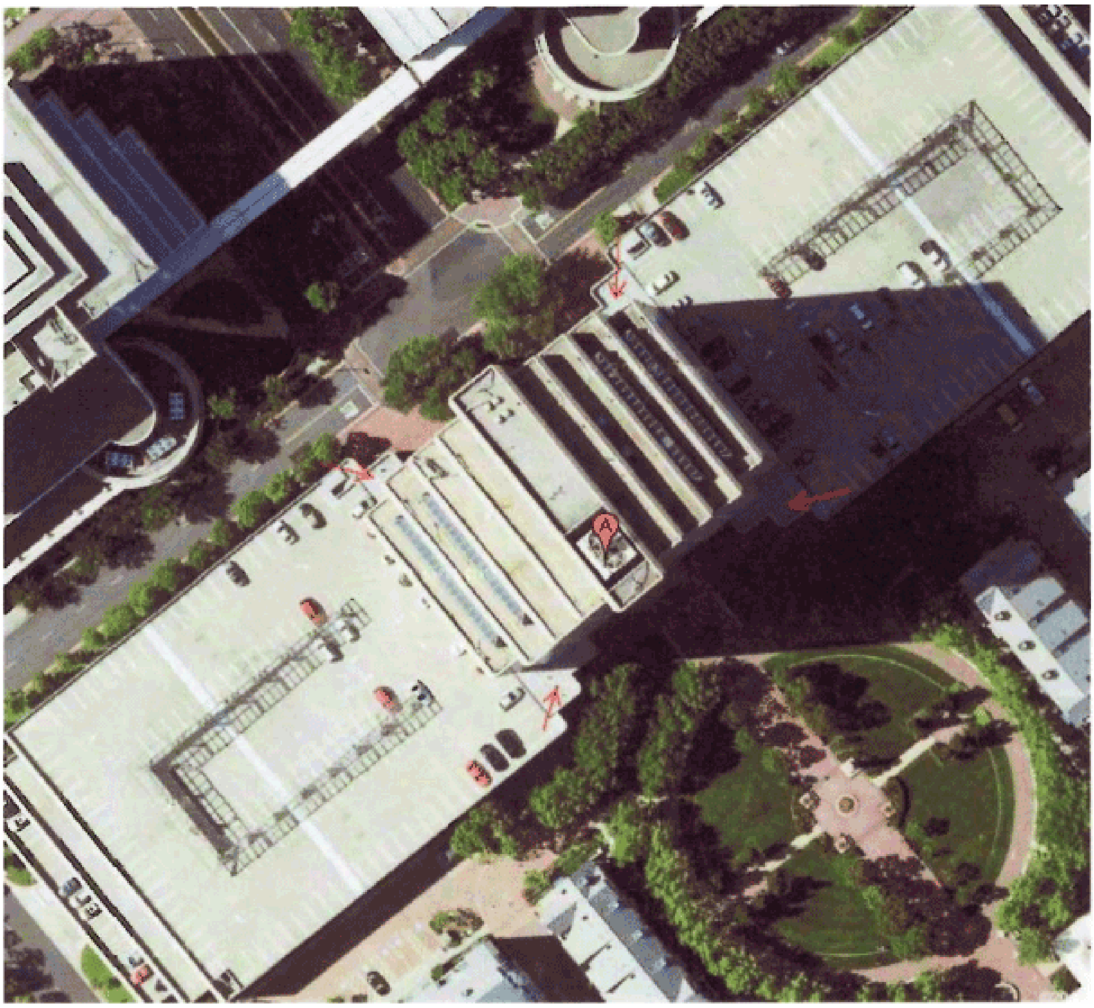

EXHIBIT I

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

LETTER OF CREDIT

____
[Name of Financial Institution]

Irrevocable Standby
Letter of Credit
No. ________________________
Issuance Date:________________
Expiration Date:______________
Applicant:____________________

Beneficiary

CA-METRO CENTER LIMITED PARTNERSHIP

____

____

____

Ladies/Gentlemen:

We hereby establish our Irrevocable Standby Letter of Credit in your favor for the account of the above referenced Applicant in the amount of Five Hundred Thousand U.S. Dollars ($500,000.00) available for payment at sight by your draft drawn on us when accompanied by the following documents:

1. An original copy of this Irrevocable Standby Letter of Credit.

2. Beneficiary's dated statement purportedly signed by an authorized signatory or agent reading: "This draw in the amount of ____________________ U.S. Dollars ($______________) under your Irrevocable Standby Letter of Credit No. ____________________ represents funds due and owing to us pursuant to the terms of that certain lease by and between ______________, as landlord, and ____________________, as tenant, and/or any amendment to the lease or any other agreement between such parties related to the lease."

It is a condition of this Irrevocable Standby Letter of Credit that it will be considered automatically renewed for a one year period upon the expiration date set forth above and upon each anniversary of such date, unless at least 60 days prior to such expiration date or applicable anniversary thereof, we notify you in writing, by certified mail return receipt requested or by recognized overnight courier service, that we elect not to so renew this Irrevocable Standby Letter of Credit. A copy of any such notice shall also be sent, in the same manner, to: Equity Office Properties, 2 North Riverside Plaza, Suite 2100, Chicago, Illinois 60606, Attention: Treasury Department. In addition to the foregoing, we understand and agree that you shall be entitled to draw upon this Irrevocable Standby Letter of Credit in accordance with 1 and 2 above in the event that we elect not to renew this Irrevocable Standby Letter of Credit and, in addition, you provide us with a dated statement purportedly signed by an authorized signatory or agent of Beneficiary stating that the Applicant has failed to provide you with an acceptable substitute irrevocable standby letter of credit in accordance with the terms of the above referenced lease. We further acknowledge and agree that: (a) upon receipt of the documentation required herein, we will honor your draws against this Irrevocable Standby Letter of Credit without inquiry into the accuracy of Beneficiary's signed statement and regardless of whether Applicant disputes the content of such statement; (b) this Irrevocable Standby Letter of Credit shall permit partial draws and, in the event you elect to draw upon less than the full stated amount hereof, the stated amount of this Irrevocable Standby Letter of Credit shall be automatically reduced by the amount of such partial draw; and (c) you shall be entitled to transfer your interest in this Irrevocable Standby Letter of Credit from time to time and more than one time without our approval and without charge. In the event of a transfer, we reserve the right to require reasonable evidence of such transfer as a condition to any draw hereunder.

This Irrevocable Standby Letter of Credit is subject to the International Standby Practices (ISP 98) International Chamber of Commerce (Publication No. 590).

We hereby engage with you to honor drafts and documents drawn under and in compliance with the terms of this Irrevocable Standby Letter of Credit.

All communications to us with respect to this Irrevocable Standby Letter of Credit must be addressed to our office located at ______________________________________ to the attention of _________________________.

Very truly yours,

____

________[name]__________

_______[title}_____________

Exhibit I

<u>EXHIBIT J</u>

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

<u>SUITE 700 OFFERING SPACE</u>

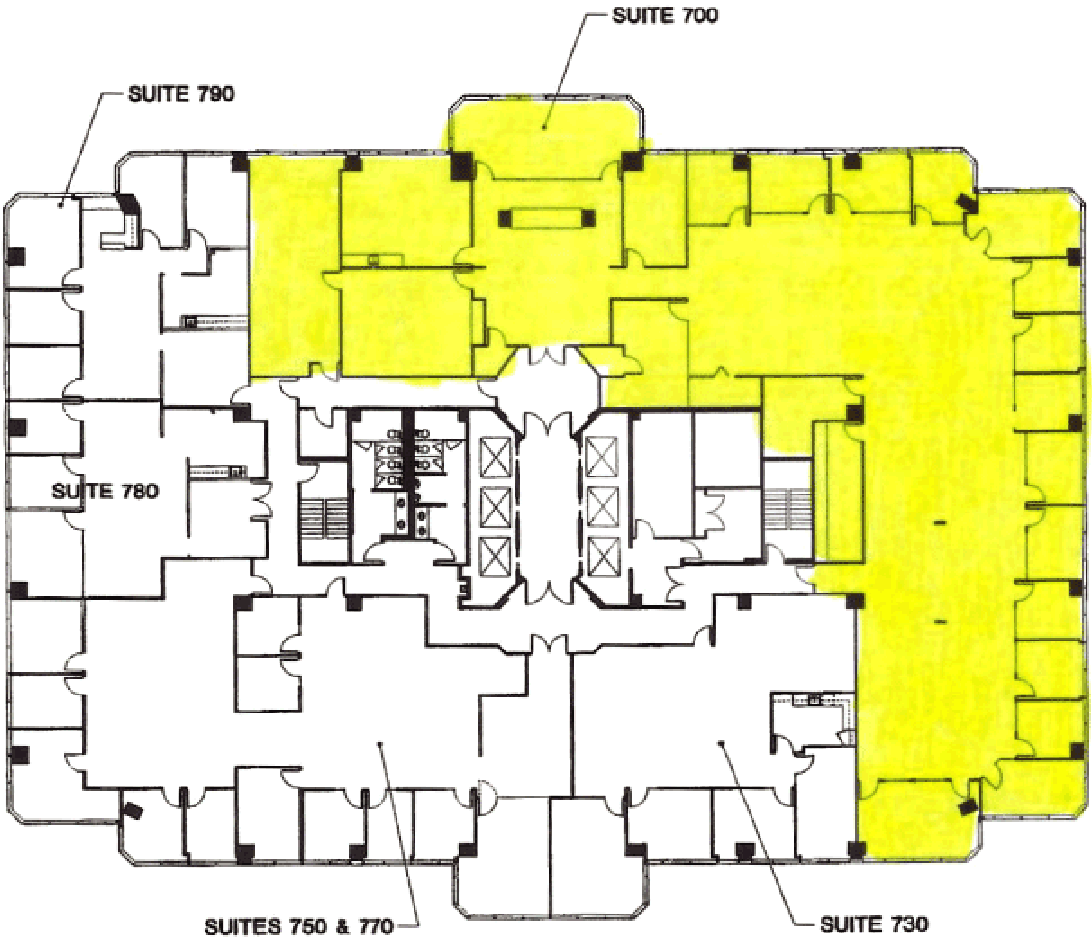

EXHIBIT K

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 730 OFFERING SPACE

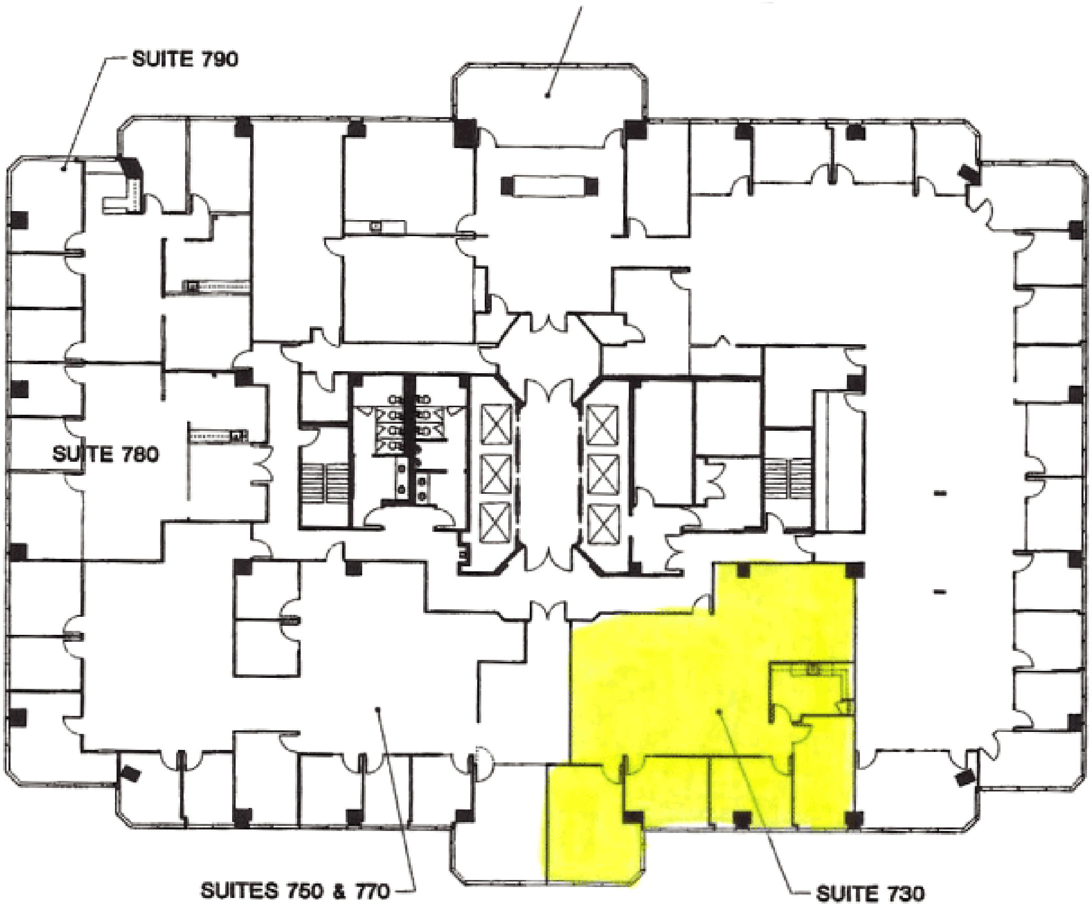

EXHIBIT L

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 750 OFFERING SPACE

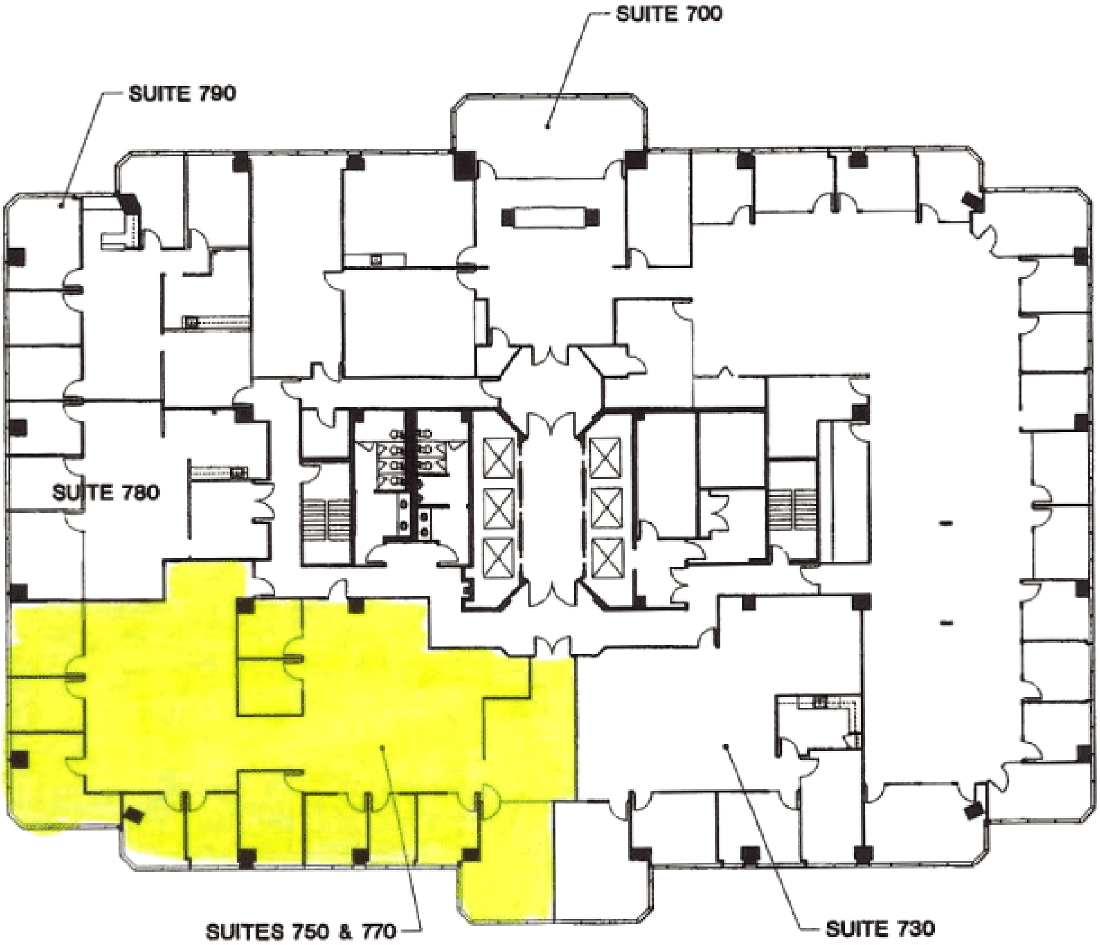

EXHIBIT M

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 770 OFFERING SPACE

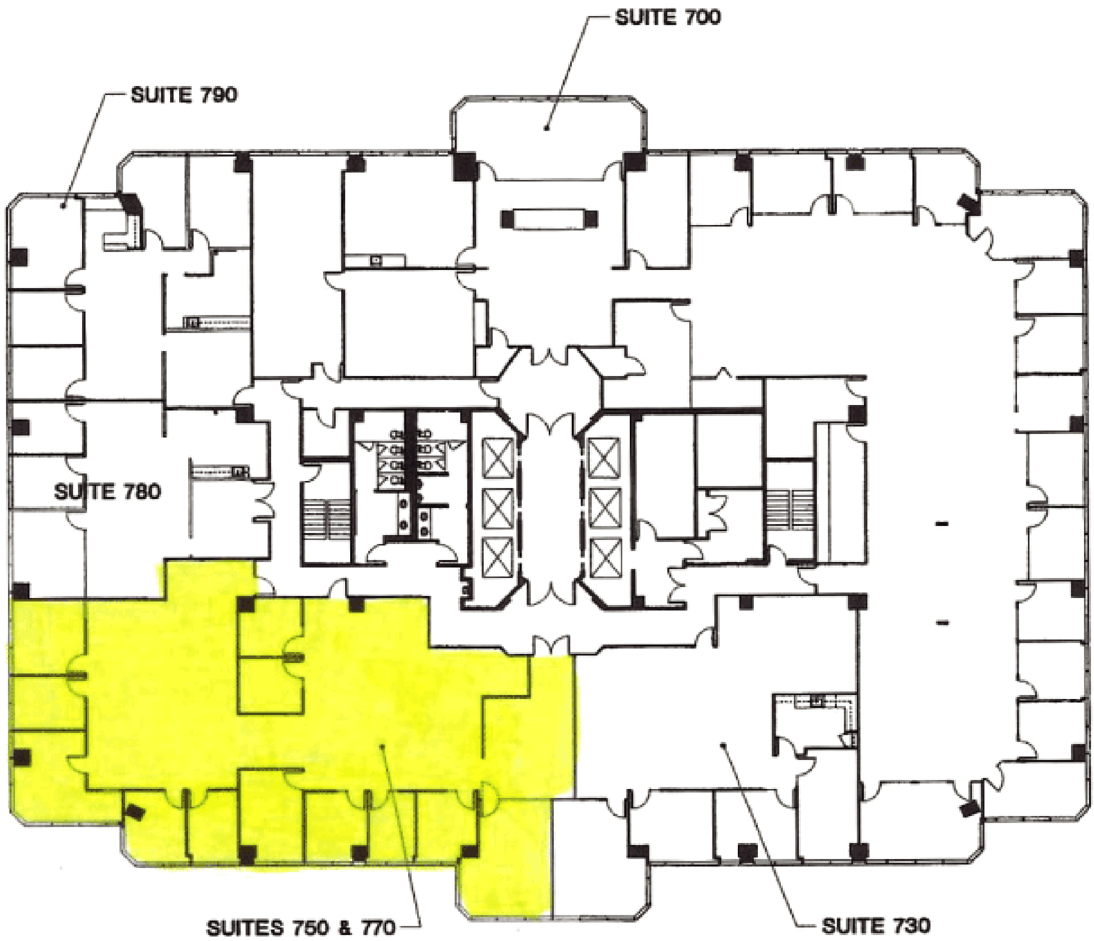

EXHIBIT N

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 780 OFFERING SPACE

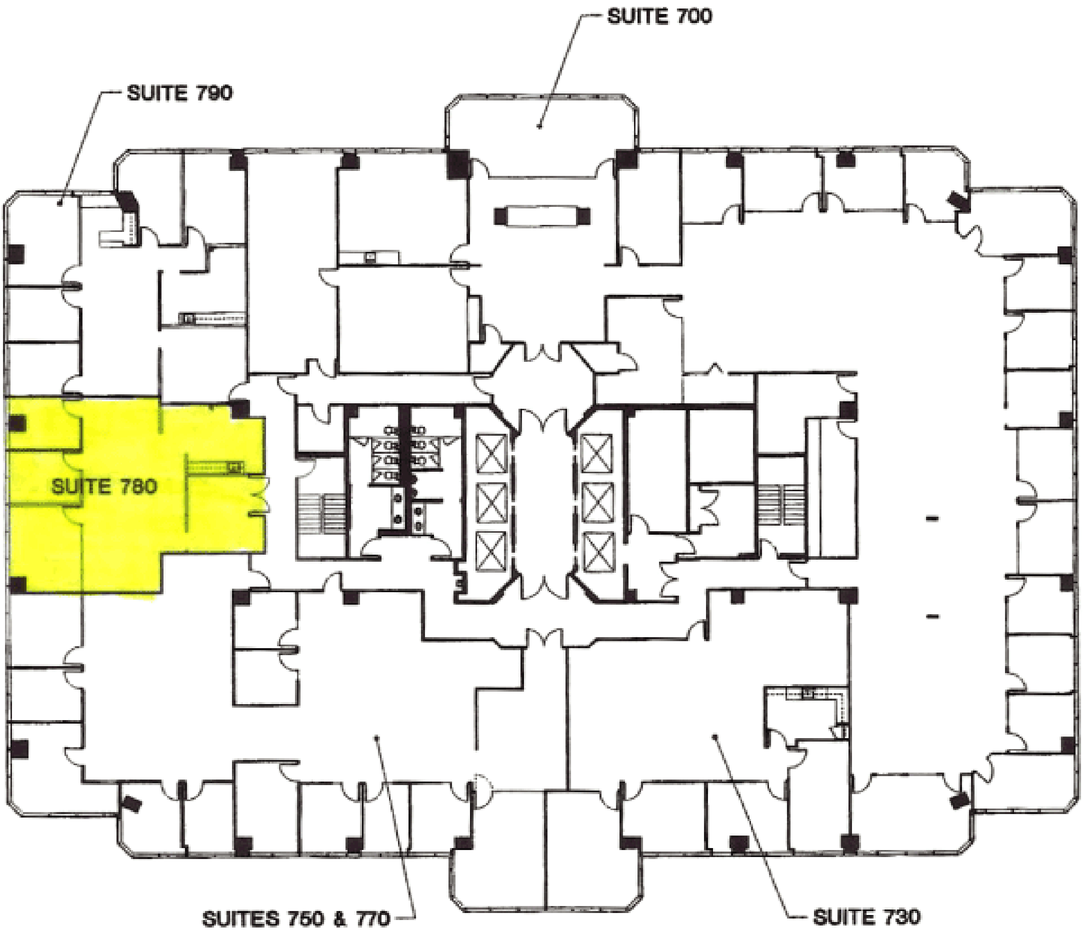

EXHIBIT O

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 790 OFFERING SPACE

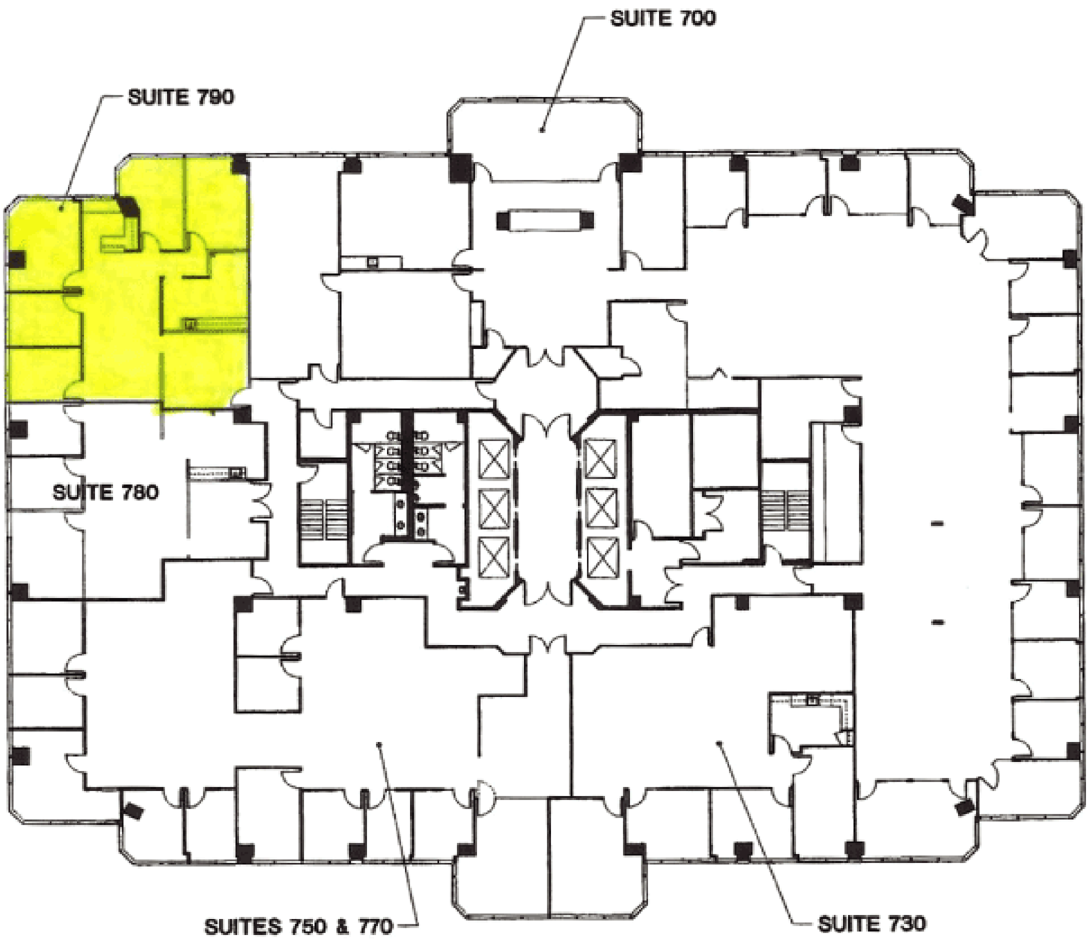

EXHIBIT P

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 800 OFFERING SPACE

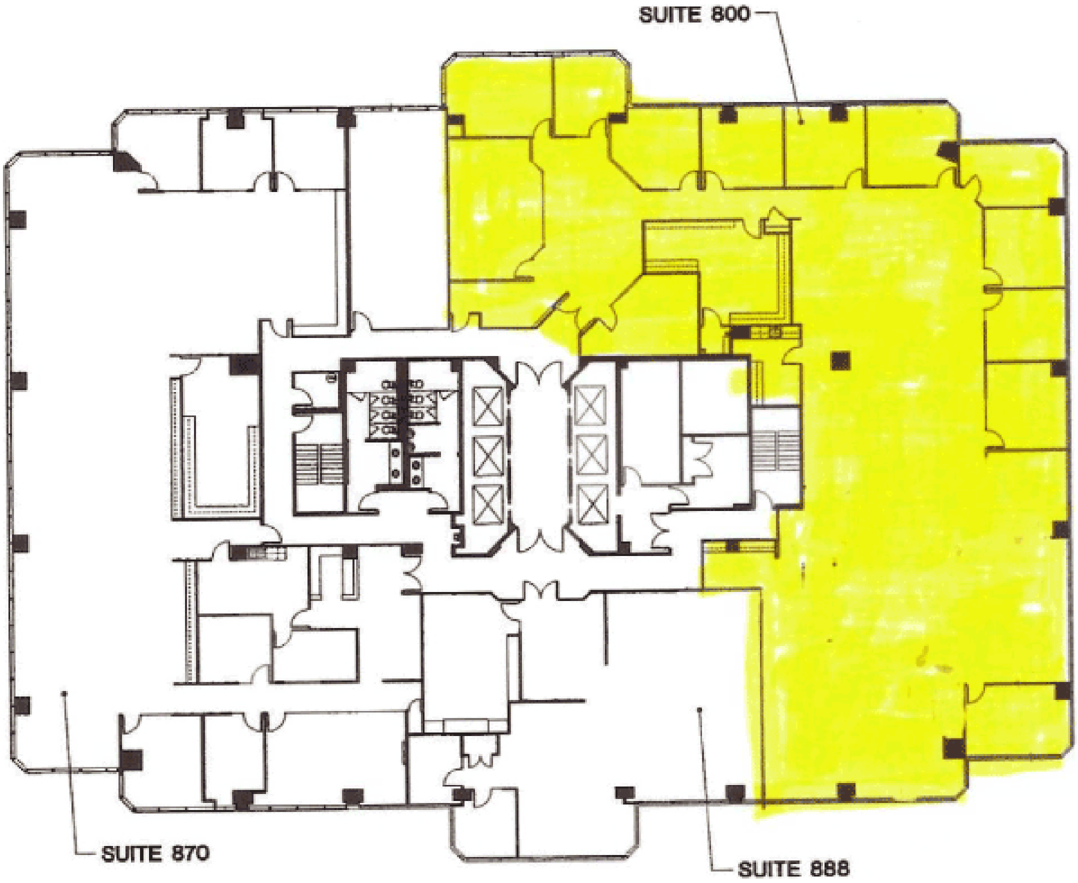

EXHIBIT Q

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 870 OFFERING SPACE

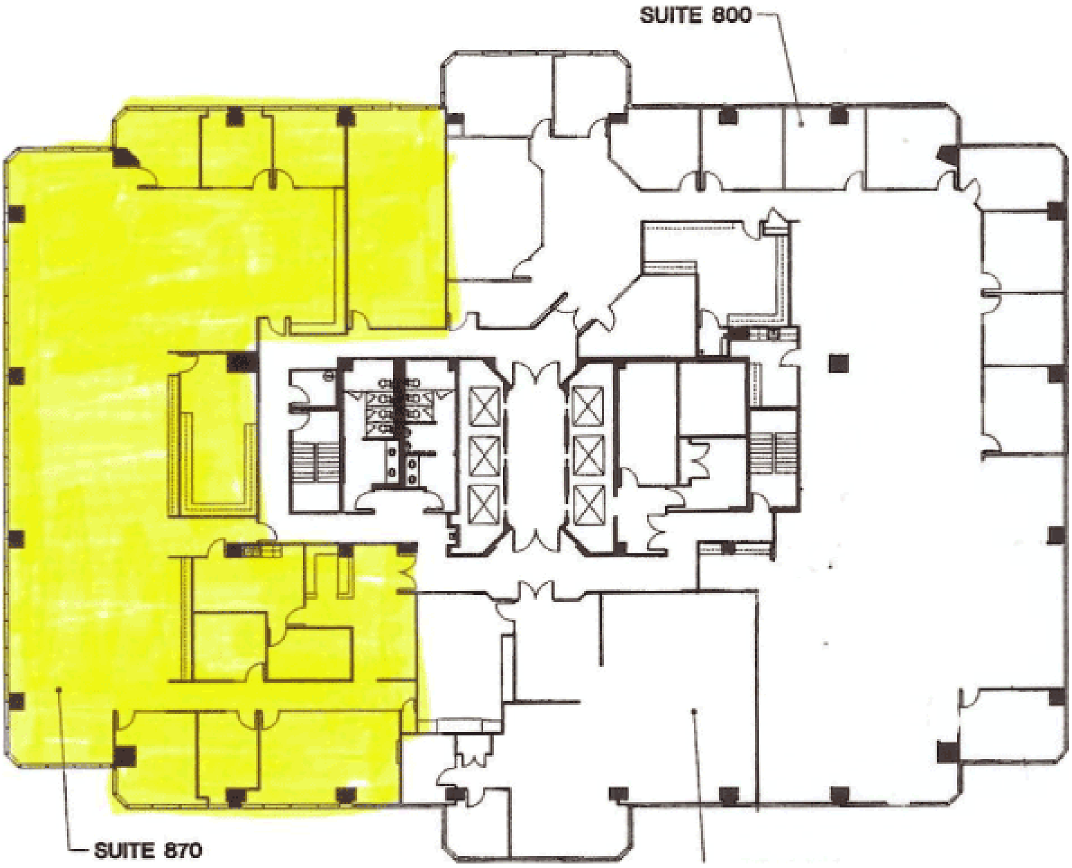

EXHIBIT R

METRO CENTER
METRO CENTER TOWER
FOSTER CITY, CALIFORNIA

SUITE 888 OFFERING SPACE

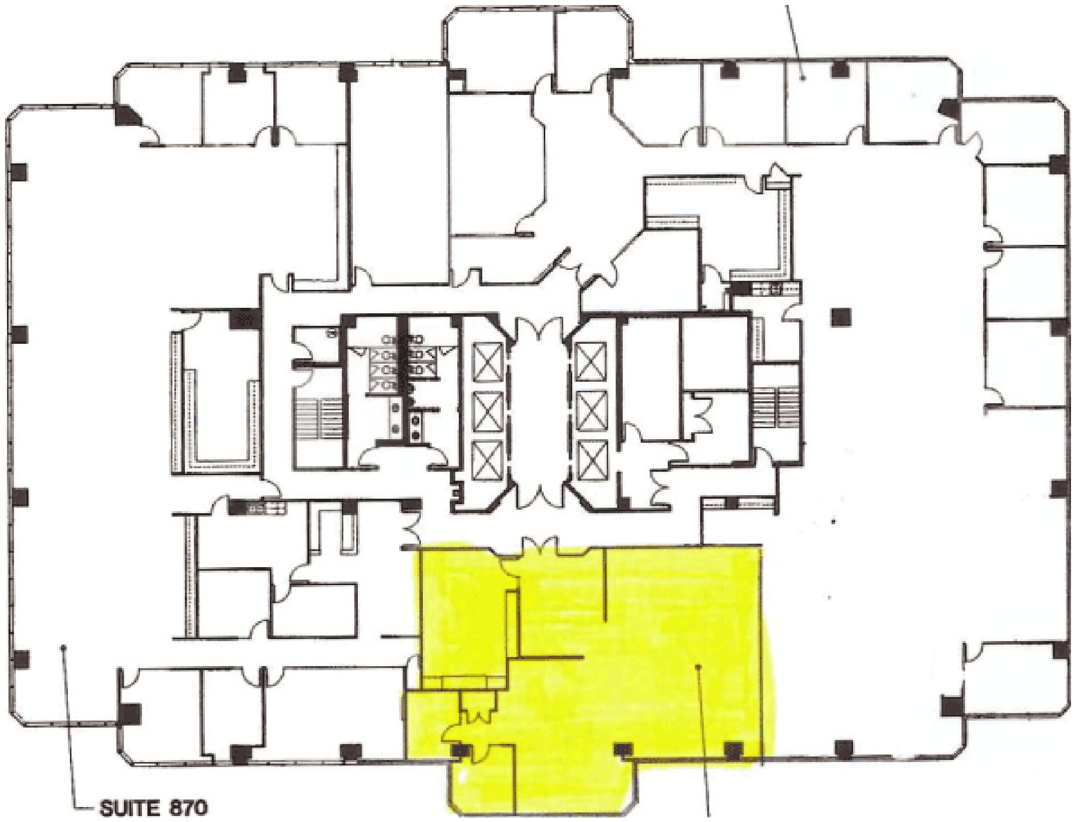

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Douglas Valenti, certify that:

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

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

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

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

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

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

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

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

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

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

/s/ Douglas Valenti
Douglas Valenti
Chief Executive Officer
Date: May 12, 2010

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth Hahn, certify that:

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

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

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

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

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

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

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

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

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

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

/s/ Kenneth Hahn

Kenneth Hahn
Chief Financial Officer
Date: May 12, 2010

EXHIBIT 32.1

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Douglas Valenti, Chief Executive Officer of QuinStreet, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2010, to which this Certification is attached as Exhibit 32.1 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

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

/s/ Douglas Valenti
Douglas Valenti
Chief Executive Officer
(Principal Executive Officer)
Date: May 12, 2010

EXHIBIT 32.2

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Kenneth Hahn, Chief Financial Officer of QuinStreet, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2010, to which this Certification is attached as Exhibit 32.2 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

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

/s/ Kenneth Hahn
Kenneth Hahn
Chief Financial Officer
(Principal Financial Officer)
Date: May 12, 2010