NETFLIX INC

FORM S-1
(Securities Registration Statement)

Filed 4/18/2000

Address	970 UNIVERSITY AVENUE . LOS GATOS, California 95032
Telephone	408-317-3700
CIK	0001065280
Fiscal Year	12/31

As filed with the Securities and Exchange Commission on April 18, 2000
Registration No.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549 **FORM S-1**

REGISTRATION STATEMENT
UNDER

THE SECURITIES ACT OF 1933 **NetFlix.com, Inc.**

(Exact name of registrant as specified in its charter)

Delaware	7379	77-0467272
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

750 University Avenue, Suite 100
Los Gatos, CA 95032
(408) 399-3700

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices) W. Barry McCarthy, Jr.
Chief Financial Officer
750 University Avenue, Suite 100
Los Gatos, CA 95032
(408) 399-3700
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Larry W. Sonsini, Esq.
Robert D. Sanchez, Esq.
Peter H. Bergman, Esq.
Bradley L. Finkelstein, Esq.
Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, California 94304
(650) 493-9300

Peter Lillevand, Esq.
Scott D. Elliott, Esq.
Cynthia L. Mire, Esq.
Anne H. Nguyen, Esq.
Orrick, Herrington & Sutcliffe LLP
400 Sansome Street
San Francisco, CA 94111
(415) 392-1122

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement. If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [_]
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_] _____
If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_] _____
If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_] _____
If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [_]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.001 par value.....	$86,250,000	$22,770

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.
The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall hereafter become effective in accordance with
Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such
Section 8(a), may determine.

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+The information in this prospectus is not complete and may be changed. These +
+securities may not be sold until the registration statement filed with the +
+Securities and Exchange Commission becomes effective. This preliminary +
+prospectus is not an offer to sell these securities nor does it seek offers +
+to buy these securities in any jurisdiction where the offer or sale is not +
+permitted. +

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Subject to Completion, Dated April 18, 2000.

[NETFLIX LOGO]

Shares

Common Stock

This is the initial public offering of NetFlix.com, Inc. and we are offering shares of our common stock. We anticipate that the initial public offering price will be between $ and $ per share. We are applying for listing on the Nasdaq National Market under the symbol "NFLX."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 6.

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

	Price to Public	Underwriting Discounts and Commissions	Proceeds to NetFlix.com
Per Share	$	$	$
Total	$	$	$

We have granted the underwriters the right to purchase up to additional shares to cover over-allotments.

Deutsche Banc Alex. Brown

SG Cowen

U.S. Bancorp Piper Jaffray

The date of this prospectus is , 2000.

[INSIDE FRONT COVER]

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all the information you should consider before buying shares in the offering. You should read the entire prospectus carefully.

NetFlix.com, Inc.

We have created an authoritative online source for movie recommendations and selection based on personal preferences. We collect preference data from our users through our Personal Movie Finder service to provide personalized movie recommendations. Since February 2000, our Personal Movie Finder service has collected over 8.9 million ratings from over 132,000 individual users. At our Web site, www.netflix.com, users can rent DVDs through our Unlimited Rental subscription service, purchase DVDs through our e-commerce referral program and choose theater locations and showtimes. We operate one of the stickiest sites on the Internet. According to Media Metrix, during February 2000 visitors to our Web site spent an average of 40 minutes on our Web site and viewed an average of 46 pages in a month.

The primary accelerant for the growth of our Personal Movie Finder database has been the ratings collected from subscribers to our Unlimited Rental service. Our subscription service offers an unlimited number of DVD rentals with no due dates or late fees, for between $15.95 and $19.95 per month. Users are allowed to have up to four movies out at the same time to ensure convenient selection at home. As of March 31, 2000, we had over 120,000 paying subscribers to our Unlimited Rental service.

We have benefited from the rapid transition from VHS tape format to DVD technology. According to Paul Kagan Associates, Inc., a leading entertainment industry market research firm, DVD player adoption has occurred faster in its first three years since introduction than audio CD players, digital broadcast systems or videocassette recorders. Since the introduction of the DVD player in 1997, the domestic installed base has grown to 5.4 million households at the end of 1999 and is forecast to grow to 39.4 million households by the end of 2004, a 49% compound annual growth rate, according to Paul Kagan Associates, Inc.

We have relationships with leading DVD manufacturers, including Sony, Toshiba, Panasonic and RCA. These DVD manufacturers, which accounted for over 90% of the DVD players sold in the U.S. in 1999, insert promotional offers to our Unlimited Rental subscription service into the boxes of DVD players sold in the U.S. We also have relationships with major consumer electronics retailers, such as Circuit City and The Good Guys, which provide promotional offers for our Unlimited Rental subscription service to their customers.

We operate in a large and growing market. Paul Kagan Associates, Inc. estimates that consumers in the United States spent $25.6 billion on home video and theatrical filmed entertainment in 1999 and forecasts this spending to grow to $35.0 billion in 2004.

In spite of large amounts spent on marketing, the movie industry has lacked an effective means to market movies to a targeted audience on a personalized basis. With our rapidly growing user base and expanding Personal Movie Finder database we can market movies directly to targeted audiences through e-mail, banner ads, streamed trailers and other rich media content based on the known movie tastes of our individual users. We intend to offer this marketing capability to movie studios to promote new releases. As technology evolves on the Internet, we intend to use our expertise in personal movie recommendations as a programming guide to Internet delivered video for our users.

The Offering

Common stock offered.....	shares
Common stock to be outstanding after this offering.....	shares
Use of proceeds.....	We plan to use the proceeds for general corporate purposes, including working capital, capital expenditures, additional sales and marketing efforts and potential acquisitions.
Proposed Nasdaq National Market symbol.....	NFLX

This information is based on shares outstanding as of April 13, 2000. This information excludes:

. 2,543,097 shares subject to outstanding options under our amended and restated 1997 Stock Plan and 887,979 shares available for future grant,

. 550,000 shares reserved for issuance under our 2000 Employee Stock Purchase Plan, and

. 625,595 shares subject to outstanding warrants to purchase preferred stock which will convert into warrants to purchase common stock upon completion of this offering.

Except as otherwise indicated, all information in this prospectus assumes:

. the conversion of all outstanding shares of our convertible preferred stock into shares of common stock upon the closing of this offering,

. the filing of an amended and restated certificate of incorporation after the closing of this offering, and

. no exercise of the underwriters' over-allotment option to purchase shares.

We were incorporated in Delaware in August 1997 and changed our name to NetFlix.com, Inc. in August 1998. Our executive offices are located at 750 University Avenue, Los Gatos, CA 95032, and our telephone number at that address is (408) 399-3700. Our Web site is located at http://www.netflix.com. The information contained at our Web site does not constitute part of this prospectus.

Summary Financial Data
(in thousands, except per share data)

	Period from August 29, 1997 (Inception) to December 31, 1997	Years Ended December 31, 1998	1999
Statement of Operations Data:			
Revenues	$ --	$ 1,339	$ 5,006
Cost of revenues	--	1,311	4,373
Gross profit	--	28	633
Operating loss	(361)	(11,153)	(30,031)
Net loss	$ (359)	$(11,081)	$(29,845)
Net loss attributable to common stockholders	$ (359)	$(11,081)	$(29,845)
Basic and diluted net loss per common share	$ --	$ (12.27)	$ (5.60)
Weighted-average shares outstanding used in computing net loss per share	--	903	5,328
Pro forma net loss per share (unaudited)(1)			$ (1.36)
Weighted-average shares outstanding used in computing pro forma net loss per share			21,913

	December 31, 1999		
	Actual	Pro Forma(2)	Pro Forma As Adjusted(3)
Balance Sheet Data:			
Cash and cash equivalents	$ 14,198	$ 14,198	
Working capital	11,028	11,028	
Total assets	34,773	34,773	
Long-term obligations, less current portion	56,589	4,770	
Stockholders' (deficit) equity	(32,028)	19,791	

(1) Pro forma net loss per share for 1999 is computed using the weighted- average number of common stock outstanding, including the pro forma effect of the automatic conversion of our convertible preferred stock into shares of our common stock effective upon the closing of our initial public offering, as if such conversion occurred on January 1, 1999, or at the date of issuance of the preferred stock, if later. Pro forma common equivalents, consisting of incremental common stock issuance upon the exercise of stock options and warrants, as well as shares subject to repurchase agreements, are not included in pro forma diluted net loss share because they would be antidilutive.
(2) The pro forma column gives effect to the conversion of all outstanding shares of our preferred stock into shares of common stock upon the closing of this offering.
(3) The pro forma as adjusted column gives effect to the sale of our Series E Preferred Stock in April 2000 and to the sale of shares of common stock offered by us at an assumed initial public offering price of $ per share and the application of the net proceeds from the offering, after deducting underwriting discounts and commissions and estimated offering expenses.

RISK FACTORS

You should carefully consider the risks described below before buying shares in this offering. If any of the following risks actually occur, our business, financial condition and results of operations could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related To Our Business

If we fail to effectively manage our transition to a Web portal, our operating results, financial condition and future growth will be harmed.

We currently generate substantially all of our revenues from a subscription service for the online rental of digital video discs, or DVDs. Our strategy is to expand our content and services as a movie-oriented Web portal. However, we have limited experience with this business model and the transition may be difficult. We cannot assure you that we will be able to attract users and advertisers to our Web portal or operate a Web portal profitability. We introduced our Personal Movie Finder recommendation service in February 2000, and expect to introduce a number of new features to our Web site in the future, such as streaming movie trailers, access to electronic theater ticketing and other products and services related to movies. This transition could divert resources and our management's attention from our existing subscription business. If we experience difficulties in expanding our business model, our operating results, financial condition and future growth will be harmed.

We will encounter new and additional risks as we introduce new services and product offerings in connection with our transition to a Web portal and cannot assure you we will be able to manage these risks.

Our Web portal strategy will require us to introduce new services and products in adjacent markets to our existing Unlimited Rental subscription service for DVDs. Each of these new services, products and markets may entail unique risks which we have limited experience in managing. We cannot assure you that we will operate any of these new businesses profitably. If we fail to anticipate or address these risks successfully, our business will be harmed. For example, if we offer movie showtime listings, we must gather and provide accurate information on a consistent basis. If we seek to offer electronic movie ticketing, we must establish relationships with movie theater chains and independent theaters. Offering streaming video content may require us to develop the capacity to deliver the content over a high bandwith connection and license the content, or enter into agreements with third parties who can do so. In addition, we have not yet sold advertising on our Web site and, in order to do so, we must build an advertising sales staff and attract advertisers. We also may face new competitors in each of these businesses.

We depend on our Unlimited Rental subscription business for substantially all of our revenues, but cannot assure you that this business will be profitable.

We are dependent on our Unlimited Rental subscription service for DVDs for substantially all of our revenues. We cannot assure you that we will be able to operate our subscription service profitably. The profitability of our Unlimited Rental subscription service depends on a number of factors, including:

. widespread acceptance of the Internet as a means of renting DVDs;

. DVD costs and breakage;

. the number of new subscribers to our subscription service;

. retention and customer satisfaction of existing subscribers;

. pricing of our product offerings and the sensitivity of our customers to pricing changes; and

. fulfillment costs.

If we are unable to manage successfully these risks, some of which are not under our control, we may not achieve profitability.

We rely on promotional offers distributed by DVD player manufacturers for the majority of our new subscribers and if we fail to maintain our relationships with these DVD player manufacturers, our business and results of operations will be affected adversely.

Our future success is highly dependent on an increase in the number of subscribers to our Unlimited Rental subscription service. A majority of our new subscribers are obtained through promotional campaigns with the principal DVD player manufacturers and certain retailers under short-term promotional agreements. Our competitors may offer our promotional affiliates better terms or otherwise provide incentives to them to discontinue their participation in our marketing campaigns. If our promotional affiliates do not continue to participate in our marketing campaigns and promote our service in an effective manner, our subscriber growth will be affected adversely. In addition, while our promotional affiliates are required to include our free trial offer with every DVD player they sell, we cannot effectively control what portion of DVD players sold by them will include the free trial offer. If we are not able to continue our current or similar promotional campaigns, our business, and results of operations could be harmed.

We have a limited operating history, and you should evaluate our prospects in light of our early stage of development and rapidly evolving market.

Our business has grown rapidly, but we cannot assure you that our business will continue to grow at a similar rate. You should consider our business and prospects in light of our limited operating history and the changes to our business that have occurred since we began operations. With the launch of our Web site in 1998, we began selling and renting DVDs on an individual basis. In 1999, we discontinued the sale of DVDs and introduced our subscription DVD rental program. Since March 2000, we have rented DVDs exclusively through our Unlimited Rental subscription service. We also provide referrals to e-commerce retailers for DVD purchase. We expect to offer new movie-related services in the future as we continue our transition to a movie-oriented Web portal. Our business faces several risks and difficulties in light of our early stage of operations, including the need for:

. continued development of our Web portal business model;

. sufficient new and continued participation in our Personal Movie Finder service;

. accurate forecasting of the success of new service and product offerings;

. capital expenditures associated with our DVD inventory, distribution center, order-management systems, computer network and Web site; and

. successful introduction of new technologies and movie delivery alternatives.

We have a history of net losses and negative cash flow and we anticipate that we will experience net losses and negative cash flow for the foreseeable future.

We have experienced significant net losses and negative cash flow, since our inception. We incurred net losses of $29.8 million in 1999, and as of December 31, 1999, we had an accumulated deficit of $41.3 million. We expect to continue to incur significant operating expenses and capital outlays for the foreseeable future in connection with our planned expansion, including expenditures for:

. continued promotional offers to attract subscribers to our Unlimited Rental service;

. brand development, marketing and other promotional activities;

. the continued development of our computer network, Web site, warehouse management and order fulfillment systems and delivery infrastructure;

. establishment of an advertising sales force;

. the acquisition of DVDs to support the growth of our subscription business;

. the continued expansion and development of operations at our existing distribution center and any new distribution centers we operate;

. continued development of business alliances and partnerships; and

. responses to competitive developments.

As a result, we expect to continue to have operating losses and negative cash flow on a quarterly and annual basis for the foreseeable future. To achieve and sustain profitability, we must accomplish numerous objectives, including:

. substantially increasing the number of subscribers to our Unlimited Rental service;

. maintaining and increasing our subscription retention rates;

. maintaining and achieving more favorable gross and operating margins; and

. selling advertising and promotional space on our Web site.

We cannot assure you that we will be able to achieve these objectives. In addition, because of the significant operating and capital expenditures associated with our expansion plan, our operating losses and negative cash flow are expected to increase significantly from current levels and to continue for the foreseeable future. If we do achieve profitability, we cannot be certain that we would be able to sustain or increase such profitability on a quarterly or annual basis in the future.

Our limited operating history makes financial forecasting difficult for us and for financial analysts that may publish estimates of our financial results.

As a result of our limited operating history, it is difficult to accurately forecast our revenues, gross and operating margins, number of DVD rentals shipped per day and other financial and operating data. We have a limited amount of meaningful historical financial data upon which to base planned operating expenses. We base our current and forecasted expense levels and DVD purchasing on our operating plans and estimates of future revenues, which are dependent on the growth of our subscriber base and the demand for DVD rentals by our subscribers. As a result, we may be unable to make accurate financial forecasts and to adjust our spending in a timely manner to compensate for any unexpected shortfalls in revenues. We believe that these difficulties in forecasting are even greater for financial analysts that may

publish their own estimates of our financial results. The inability by us or the financial community to accurately forecast our operating results could cause our net losses in a given quarter to be greater than expected or could cause a decline in the trading price of our common stock.

Our quarterly operating results are expected to be volatile and difficult to predict based on a number of factors that also will affect our long-term performance.

We expect our quarterly operating results to fluctuate significantly in the future based on a variety of factors, many of which are outside our control. These factors also are expected to affect our long-term performance. These factors include the following:

. our ability to maintain and increase subscriber retention rates, attract new subscribers at a steady rate and at a reasonable cost and maintain new subscriber satisfaction;

. our ability to manage our fulfillment processes to handle significant increases in subscribers and rental orders;

. our ability to improve or maintain gross margins in our existing business and in future product lines and markets;

. changes to our product and service offerings, including new features on our Web site such as theater information and other content aggregation;

. changes to the product and service offerings of our competitors;

. price competition;

. our ability to acquire DVDs at a reasonable cost, and breakage and loss of DVDs;

. our ability to maintain, upgrade and develop our Web site, our internal computer systems and our fulfillment processes;

. the level of use of the Internet and increasing consumer acceptance of the Internet for the purchase of consumer goods and services such as those offered by us;

. the level of traffic on our Web site;

. technical difficulties, system downtime or Internet brownouts;

. our ability to attract new and qualified personnel in a timely and effective manner;

. the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure;

. our ability to manage effectively the development of new business segments and markets;

. our ability to successfully manage the integration of operations and technology resulting from acquisitions;

. governmental regulation and taxation policies; and

. general economic conditions and economic conditions specific to the Internet, online commerce and the movie industry.

In addition to these factors, our quarterly operating results are expected to fluctuate based upon seasonal fluctuations in DVD player sales and in the use of the Internet. Based on our limited operating history, we expect to experience stronger seasonal growth in the number of new subscribers during the late fall and early winter months, reflecting increased purchases of DVD players and redemptions of new trial offers for our Unlimited Rental service included with DVD players. The DVD industry is new and growing, and there may be shifts in seasonal

patterns of DVD player sales. Shifts in seasonal sales cycles may occur due to changes in the economy or other factors affecting the market for our services.

Due to this wide variety of factors, we expect our operating results to be volatile and difficult to predict. As a result, quarter-to-quarter comparisons of our operating results may not be good indicators of our future performance.

If we are not able to manage our growth, our operating results and ability to sustain growth could be affected adversely.

Any future expansion, internally or through acquisitions, may place significant demands on our managerial, operational, administrative and financial resources. We have expanded rapidly since we launched our Web site in April 1998. From December 31, 1998 to December 31, 1999, we expanded from 46 to 270 full-time employees. We anticipate that further expansion of our operations will be required to address any significant growth in our subscriber base, to develop our Web site as a movie-oriented Web portal and to take advantage of our market opportunities. Several key members of management have joined us only recently. We may choose to expand our operations by:

. expanding the breadth of product offerings and services offered;

. continuing promotional offers to attract subscribers to our Unlimited Rental subscription service;

. expanding our market presence through relationships with third parties;

. promoting advertising on our Web site; and

. expanding through the acquisition of other companies.

We have not made any acquisitions of other companies to date, and our ability as an organization to evaluate and complete acquisitions and to integrate acquired operations is unproven. Furthermore, any new business we launch that is not favorably received could damage our reputation, brand or results of operations. Our future performance and profitability will depend in part on our ability to recruit, motivate and retain qualified personnel. We cannot be certain that our systems, procedures or controls will be adequate to support our expanding operations or that management will be able to respond effectively to growth in our business.

If our efforts to build strong brand identity and subscriber loyalty are not successful, our revenues will be affected adversely.

The NetFlix brand is only three years old, and we must build strong brand identity and brand loyalty to be successful. We believe that establishing and maintaining brand identity and brand loyalty is critical to attracting subscribers and advertisers. We believe that the importance of brand loyalty will increase with the proliferation of Internet vendors. In order to attract and retain subscribers, and respond to competitive pressures, we intend to increase spending substantially to create and maintain brand loyalty. We plan to accomplish this goal by continuing our current promotional campaigns, including free trial offers to subscribers referred by our promotional affiliates, and by conducting advertising campaigns. We believe that the cost of our marketing campaigns could increase substantially in the future. If our branding efforts are not successful, our revenues and our ability to attract and retain subscribers will be affected adversely.

Promotion and enhancement of the NetFlix brand also will depend on our success in consistently providing a high-quality consumer experience for selecting movies and renting

DVDs, including providing accurate recommendations through our Personal Movie Finder service. If consumers do not perceive our service offerings to be of high quality, or if we introduce new services that are not favorably received by consumers, the value of the NetFlix brand could be harmed. Any significant brand impairment will decrease the attractiveness of NetFlix to consumers, which will seriously harm our ability to attract and retain subscribers.

If we are unable to provide consistently accurate predictions through our Personal Movie Finder service or our Personal Movie Finder service is not widely adopted, our business may suffer.

We cannot assure you that our Personal Movie Finder service will be able to effectively attract users. In addition, our CineMatch technology which underlies our Personal Movie Finder service, may not effectively predict movies that our users will enjoy. Our CineMatch technology uses proprietary algorithms to generate recommendations. We cannot assure you that these algorithms will be successful in generating accurate recommendations or that our algorithms are the most effective in generating accurate recommendations. If our recommendations are not useful, we may not attract or retain users. In addition, we believe that in order for CineMatch to function effectively, it must access a large database of recommendation information from a large number of users. Because we introduced our Personal Movie Finder service in February 2000, we cannot assure you that we will be successful in attracting a large number of users to rate movies.

If we fail to generate sufficient levels of subscriber growth and retention, our revenues and business will be harmed.

In order to be successful, we must minimize the loss of subscribers and add new subscribers. The number of consumers willing to subscribe to a DVD rental service may not increase. Factors that may affect the size of our subscriber base and subscriber satisfaction include:

. the accuracy of our Personal Movie Finder recommendation service;

. our content offerings, such as movie reviews;

. the ease-of-use of our Web site;

. pricing;

. our ability to fulfill subscription rental orders in a timely manner; and

. quality of customer service.

We cannot assure you our subscriber base will continue to grow.

If we are unable to obtain sufficient selections of DVDs from our key distributors, our subscriber satisfaction and results of operations will be affected adversely.

We may experience difficulty in obtaining sufficient selections of DVDs from our distributors. We rely on a few distributors to obtain a complete and current selection of DVD rental titles, and there are only a few alternate suppliers. In 1999, we purchased 49% and 33% of our DVDs from Ingram Entertainment, Inc. and Amplified.com, Inc., respectively. Our key distributors also supply products to other companies in the online and offline DVD rental and sales industries with which we may compete. In addition, the movie studios may not produce enough DVDs for particular movie titles, or generally, which would affect the entire industry including us. For example, during the fourth quarter of 1999 we were affected by a brief

industry-wide shortage of DVDs. If we are unable to obtain sufficient selections and quantities of DVDs from our key distributors or from alternate suppliers to meet subscriber demand, our subscriber satisfaction and results of operations will be adversely affected.

If the cost of purchasing DVDs on a wholesale basis increases, our gross margin will be affected adversely.

We currently purchase DVDs on a wholesale basis from distributors. Even if we enter into revenue sharing arrangements with the movie studios under which we would purchase DVDs directly from the studios, we will continue to purchase a portion of our DVD inventory on a wholesale basis from distributors. If the price of DVDs that we purchase increases, our gross margin will be affected adversely. The adverse effect of an increase in the purchase price of DVDs will be greater if we do not enter into revenue sharing arrangements.

If we do not correctly anticipate our short and long term needs for DVD titles, our subscriber satisfaction and results of operations may be affected adversely.

We may not purchase sufficient numbers of certain DVD titles to meet the rental demands of our subscribers. If we do not forecast accurately DVD rental demand, our subscriber satisfaction and operating results will be harmed. In addition, if we enter into revenue sharing agreements with the movie studios, we will have only one opportunity to purchase each DVD title directly from the studios, and we will have to estimate demand for up to a year in advance. If we underestimate demand for DVDs under any future revenue sharing arrangements, our subscribers may become dissatisfied and cancel our service, and our results of operations will suffer. Alternatively, if we overestimate demand and purchase excess quantities of certain DVD titles, our results of operations also will be adversely affected.

If we experience increased demand for DVDs on a subscriber-by-subscriber basis, our expenses and gross margin may be affected adversely.

Under our Unlimited Rental subscription service, our subscribers may rent an unlimited number of movies monthly with no due date and no late fees. Subscribers are allowed to have up to four movies out at a time. If our average subscriber rents more DVDs per month than we have anticipated, we will incur increased shipping and fulfillment costs, which will affect our profitability. Subscriber demand may increase for a variety of reasons beyond our control, including promotions by movie studios and seasonal variations in movie watching. Our subscriber growth and retention may be affected adversely if we attempt to increase our monthly subscription fee to offset increased usage. In addition, we offer free trial programs to potential subscribers under which we provide DVDs and pay shipping costs but receive no revenues during the trial period. If we experience an increase in new trials without a subsequent increase in new paying subscribers, our profitability will be harmed.

If other technologies become widely available alternatives to DVD rental, our business may be affected adversely, and we may not be able to offset the effect on our DVD rental business with our own offering of such alternative technologies.

Recent advances in direct broadcast satellite and cable technologies and other alternatives to viewing movies on DVD may adversely affect public demand for DVD rentals. For example, some digital cable providers and internet companies have begun testing technology designed to transmit movies on demand with interactive capabilities such as start, stop and rewind. This is referred to within our industry and by others as broadband delivery or video-on-demand. If broadband delivery or video-on-demand were to become widely available and accepted, and we were unable to offer such viewing alternatives to our subscribers, our business could be harmed.

In addition, direct broadcast satellite providers and cable providers have the capability to transmit numerous channels of programs to consumers. Because of this increased availability of channels, direct broadcast satellite and digital cable providers have been able to enhance their pay-per-view business by substantially increasing the number and variety of movies they can offer their subscribers on a pay-per-view basis and by providing more frequent and convenient start times for the most popular movies. This is referred to within our industry and by others as near-video-on-demand. If near-video-on-demand were to become more widely available and accepted, consumer purchases of pay-per-view programming could significantly increase. Increases in the size of this pay-per-view market could lead to an earlier distribution window for movies on pay-per-view, or other adverse changes in the movie studios' support for the DVD format, if the studios perceive this to be a better way to maximize their revenue. To offer similar viewing alternatives over the Internet, we would have to acquire or develop new technology and infrastructure and license the public performance rights for movies from copyright holders. In addition, we would be required to develop a strong brand associated with broadband or other non-DVD delivery. If we were unable to acquire or develop the necessary technology and infrastructure or if we were unable to build a strong brand associated with video-on-demand or near video-on-demand, our business and results of operations may be affected adversely.

We face intense competition from traditional and online companies which could result in a failure to achieve adequate market share.

The market for our services is intensely competitive and subject to rapid change. Barriers to entry are relatively minimal, and current and new competitors can launch new Web sites at relatively low cost. Our principal competitors include, or could include:

. traditional movie rental chains, such as Blockbuster Video and Hollywood Video;

. online local delivery services, such as Kozmo.com;

. online entertainment sites, such as E! Online and Yahoo! Movies;

. online movie review and opinion sites, such as epinions.com and Amazon.com's IMDB.com;

. online movie theater ticket sellers, such as AOL Moviefone and Hollywood.com;

. online movie retailers, such as Amazon.com and Reel.com;

. traditional movie retail stores, such as Tower Video and Wal-Mart; and

. video streaming companies, such as RealNetworks, iFilm.com and AtomFilms.com.

Many of our current and potential competitors have longer operating histories, larger customer bases, significantly greater brand recognition and significantly greater financial, marketing and other resources than we do. Some of our competitors have adopted, and may continue to adopt, aggressive pricing policies and devote substantially more resources to Web site and systems development than we do. Increased competition may adversely impact our operating margins, market share and brand recognition. In addition, our competitors may form strategic alliances with suppliers and movie production studios which could affect adversely our ability to obtain products on favorable terms. We may be unable to compete successfully against current or future competitors.

If DVD technology does not continue its growing acceptance or becomes obsolete, our revenues will be affected adversely.

DVD is a relatively new technology. We cannot assure you that adoption of DVD technology will continue to grow. Current DVD manufacturers may not be able to, or may decline to, continue to manufacture DVD players at a rate sufficient to satisfy expected growth. In addition, there is currently a large established base of VHS players, and utilizing the DVD format requires additional expenditure by consumers. In the event that new storage or player technology is developed that is either superior to DVD or enjoys greater acceptance, our revenues will suffer.

We depend on the movie studios to make DVDs available on a for-rental basis during an exclusive time period following theatrical release.

The DVD and VHS segments of the entertainment industry would lose a significant competitive advantage if the movie studios adversely change their current distribution practices with respect to these formats. A significant competitive advantage that the DVD and VHS segments currently enjoy over other movie distribution channels, except theatrical release, is the early timing of the distribution window for these formats. The window for DVD and VHS rental and consumer sales is generally exclusive against other forms of non-theatrical movie distribution, such as pay-per-view, premium television, basic cable and network and syndicated television. The length of the window for movie rental varies, typically ranging from 30 to 90 days for domestic video stores. Our business would suffer material adverse harm if the movie rental windows were no longer the first following the theatrical release, the length of these windows were shortened or the windows were no longer as exclusive as they are now, since consumers would no longer need to wait until after the movie rental distribution window to view a newly released movie on these other distribution channels. The order, length and exclusivity of each window for each distribution channel is determined solely by the studio releasing the movie and we cannot assure you that the studios will not change their policies in the future in a manner that would be adverse to our business and result of operations.

If we experience delivery problems, we could lose subscribers, and our business could be seriously harmed.

We rely on the U.S. Postal Service to deliver DVDs from our distribution center to subscribers and for the return of these DVDs to us. We are subject to the risks associated with the public mail system to meet our shipping needs, including potential labor activism, or employee strikes and inclement weather. Our DVDs also are subject to risks of breakage during delivery and handling by the U.S. Postal Service. Our failure to deliver products to our subscribers in a timely and accurate manner would harm our reputation and brand, which would have a material adverse effect on our business and results of operations. In addition, our profitability would be affected adversely if the U.S. Postal Service raised its postage rates, and we were unable to raise our subscription rental rates on an equivalent basis.

If we do not manage the automation of our order fulfillment system, our business and results of operations will be affected adversely.

We currently rely on a labor-intensive fulfillment process. In order to meet customer demand on a cost-effective basis we will be required to introduce increased levels of automation into our fulfillment process. If we are unable to successfully increase the automation of our order fulfillment systems, we will need more employees and more distribution center space to accomodate the expected increases in the number of DVDs

shipped to and received from our subscribers which may affect adversely our results of operations.

If we do not manage the development and operation of additional distribution centers, our business and results of operations will be affected adversely.

We currently operate a distribution center in San Jose, California. Unexpected significant growth in our DVD shipments per day may require us to develop and operate additional distribution centers in the next few years. In addition, we may choose to open new distribution centers sooner to facilitate more efficient delivery. We have no experience in developing or operating multiple distribution centers, and we may not be able to add distribution centers on a cost-effective basis to accomodate our growth. If we are unable to effectively accommodate substantial increases in subscriber orders, our ability to retain existing subscribers and to add new subscribers will be impaired, which would affect adversely our business and results of operations.

Any significant disruption in service on our Web site or in our computer systems could result in a loss of subscribers and adversely affect our business and results of operations.

Our Web site experienced a disruption to service in the first quarter of 2000 due to a directed attack intended to cause a disruption in service. In addition, our Web site has experienced in the past, and may experience in the future, slower response times or disruptions in service for a variety of other reasons including failures or interruptions in our systems, particularly related to introduction of new services or unexpectedly high levels of user access. Some of our systems are proprietary and rely on the expertise of members of our engineering team for their continued performance. If the developers of our Web site were unavailable in the event of system failure, it would harm significantly our ability to timely resume service on our Web site. If our Web site is unavailable for an extended period of time, or experiences repeated shorter disruptions, our users may be dissatisfied and we could be inundated with subscriber service queries which we may not be in a position to manage.

In addition, our servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions and delays in our service and operations and loss, misuse or theft of data. Any actions by hackers to disrupt our Web site service or our internal systems could harm our business, be expensive to remedy and damage our reputation. Our general business disruption insurance does not cover expenses related to directed attacks on our Web site or internal systems. Efforts to prevent hackers from entering our computer systems are expensive to implement and may limit the functionality of our services. Any significant disruption to our Web site or internal computer systems could result in a loss of subscribers and adversely affect our business and results of operations.

Our communications hardware, and the computer hardware used to operate our Web site are hosted at the facilities of Exodus Communications, Inc. in San Jose, California. The hardware for our delivery systems is maintained in our San Jose, California distribution center. Fires, floods, earthquakes, power losses, telecommunications failures, break-ins and similar events could damage these systems and hardware or cause them to fail completely. Problems faced by Exodus Communications, Inc., with the telecommunications network providers with whom it contracts or with the systems by which it allocates capacity among its subscribers, including us, could impact adversely the experience of users of our Web site. Any of these problems could result in a loss of subscribers and could affect adversely our business and results of operations.

We currently operate only one distribution center located in the San Francisco Bay area. In the event of an earthquake or other natural or man-made disaster, our operations would be affected adversely.

We currently operate only one distribution center, which is located in San Jose, California. Therefore, our business and operations would be materially adversely affected if fires, floods, earthquakes, power losses, telecommunications failures, break-ins or similar events were to damage or shut down our current distribution center.

In addition, if we had operations at multiple distribution centers, we may not be able to effectively shift our fulfillment and delivery operations due to disruptions in service at the San Jose, California or any other facility. Since the San Francisco Bay Area is located in an earthquake-sensitive area, we are particularly susceptible to the risk of damage to, or total destruction of, our current distribution center and the surrounding transportation infrastructure caused by earthquakes. We are not insured against any losses or expenses that arise from a disruption to our business due to earthquakes.

The loss of one or more of our key personnel, or our failure to attract, assimilate and retain other highly qualified personnel in the future, could seriously harm our business.

The loss of the services of one or more of our key personnel could harm our business seriously. We depend on the continued services and performance of our senior management and other key personnel, particularly Reed Hastings, our founder, President and Chief Executive Officer. Much of our key technology and systems are custom made for our business by our personnel, and the loss of our key technology personnel could disrupt the operation of our order and fulfillment systems and have an adverse affect on our ability to grow and expand our systems. Our future success depends also upon the continued service of our other key technology, merchandising, marketing and support personnel. None of our officers or other key employees is bound by an employment agreement, and our relationships with these officers and key employees are at will. Additionally, there are currently low levels of unemployment in the San Francisco Bay area. These low levels of unemployment have led to pressure on wage rates, which can make it more difficult and costly for us to attract and retain qualified employees. The loss of key personnel or the failure to attract additional qualified personnel could affect adversely our business and results of operations.

We may need substantial additional capital to fund our planned growth, and we cannot be sure that additional financing will be available.

We will continue to require substantial amounts of working capital to fund the planned growth of our business and DVD rental inventory. If we fail to establish revenue sharing agreements with the major movie studios under which we are able to purchase DVDs at a low cost in exchange for a royalty on future revenues, our short term capital needs will be impacted adversely as we will be required to pay full wholesale cost for DVDs at the time of purchase. In addition, in order to meet customer demand on a cost-effective basis we will be required to introduce increased levels of automation into our fulfillment process which will require significant additional capital. Continued growth of our DVD rental business will require us to build additional operating centers which will require us to expend significant amounts of capital.

In the past, we have funded our operating losses and capital expenditures through proceeds from equity offerings, debt financing and equipment leases. Although we currently anticipate that the net proceeds of this offering, together with our available funds, will be sufficient to meet our anticipated needs for working capital and capital expenditures for at

least the next 12 months, we may require additional financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to those of the rights of our common stock, and our stockholders may experience additional dilution.

If the protection of our trademarks and proprietary rights is inadequate, our business may be harmed.

We rely or may rely on confidentiality or license agreements with our employees, subscribers, partners and others, as well as trademark, copyright and patent law and trade secret protection laws generally, to protect our proprietary rights. We have filed trademark applications for the NetFlix, NetFlix.com and CineMatch names, and, from time to time, expect to file patent applications directed to aspects of our proprietary technology. We cannot assure you that any of these applications will be approved, that any issued patents will protect our intellectual property or that any issued patents will not be challenged by third parties. In addition, other parties may independently develop similar or competing technology or design around any patents that may be issued to us. We could incur significant expenses in preserving our intellectual property rights. Our failure to protect our proprietary rights could affect adversely our business and competitive position.

If we are unable to protect our domain names, our reputation and brand could be affected adversely.

We currently hold various domain names relating to our brand, including NetFlix.com. The acquisition and maintenance of domain names generally are regulated by governmental agencies and their designees. The regulation of domain names in the United States and in foreign countries may change in the near future. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

Intellectual property claims against us could be costly and result in the loss of significant rights.

Trademark, patent and other intellectual property rights are becoming increasingly important to us and other Internet companies. Many companies are devoting significant resources to developing patents that could affect many aspects of our business. Other parties may assert infringement or unfair competition claims against us that could relate to any aspect of our technologies, business processes or other intellectual property. We have not exhaustively searched patents relative to our technology. We cannot predict whether third parties will assert claims of infringement against us, the subject matter of any of these claims, or whether these assertions or prosecutions will harm our business. If we are forced to defend ourselves against any of these claims, whether they are with or without merit or are determined in our favor, we may face costly litigation, diversion of technical and management personnel, inability to use our current Web site or CineMatch technology or product shipment delays. As a result of a dispute, we may have to develop new, non-infringing technology or enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. If there is a successful claim of patent

infringement against us and we are unable to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business and competitive position may be affected materially adversely.

Privacy concerns could limit our ability to leverage our Personal Movie Finder service.

Our Personal Movie Finder service collects and utilizes data input by our subscribers. Collecting this data will enable us to deliver targeted advertising based upon the preferences indicated by our subscribers. Other firms, including DoubleClick Inc., have been criticized by privacy groups and governmental bodies for attempts to link personal identities and other information to data collected on the Internet regarding users browsing and other habits. Increased regulation of our Personal Movie Finder service, including self-regulation, could have an adverse effect on our business.

Risks Related to The Internet

If the Internet fails to become a widely accepted medium for finding and consuming movies, including renting DVDs, our subscriber growth rates and revenues will be affected adversely.

Our success will depend to a substantial extent on the willingness of consumers to increase their use of online services as a method to find and consume movies, including renting DVDs. The use of the Internet to find and consume movies is new and rapidly evolving, and it is uncertain whether this market will achieve and sustain high levels of demand and market acceptance. Moreover, our growth will depend on the extent to which an increasing number of consumers own or have access to personal computers or other systems that can access the Internet. If use of the Internet to find and consume movies does not achieve high levels of demand and market acceptance, our business will be affected adversely.

Our reputation and relationships with subscribers would be harmed if the online security measures used by us or any other major consumer Web site fail.

We store credit card, address and other personal information about our subscribers on our computer systems and transmit this information to credit card companies. The measures we and the credit card companies use to protect against unauthorized intrusion into our data may prove inadequate to protect our subscriber's personal information. To protect against unauthorized intrusions or to alleviate any problems caused by them, we may need to expend significant additional capital and management and other resources. If third parties were able to penetrate our network security to obtain user information, we could be subject to liability for misuse of the information. In addition, if another major consumer Web site experienced significant credit card fraud or a well publicized breach of subscriber data security on the Internet were to occur, there could be a general public loss of confidence in use of the Internet, which could affect adversely our business.

Our results of operations will be harmed if we experience significant credit card fraud or if we are unable to prevent problems with our billing software.

A failure to adequately control fraudulent credit card transactions will harm our results of operations because we do not currently carry insurance against this risk. We may suffer losses as a result of orders placed with fraudulent credit card data even though the associated financial institution approved payment of the orders. Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder's signature. In addition, we have occasionally experienced problems with our subscriber billing software causing us to overbill subscribers or former subscribers. Problems with our billing

software may have an adverse effect on our subscriber satisfaction and may cause one or more of the major credit companies to disallow our continued use of their payment products.

Our business is dependent on the development and maintenance of Internet infrastructure.

The success of our business will depend largely on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as the timely development of complementary products such as high speed modems, for providing reliable Web access and services. The Internet has experienced, and is likely to continue to experience, significant growth in the number of users and amount of traffic. The performance of the Internet may decline if the Internet continues to experience increased numbers of users, increased frequency of use or increased bandwidth requirements.

The Internet has experienced a variety of outages and delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could frustrate public use of the Internet, including use of our Web site offerings. In addition, the worldwide web portion of the Internet could lose its viability due to delays in the development or adoption of new standards and protocols to handle increased levels of activity or due to governmental regulation.

We may be subject to liability for the Internet content that we publish or upload from our users.

As a publisher of online content, we face potential liability for negligence, copyright, patent or trademark infringement or other claims based on the nature and content of materials that we publish or distribute. We also may face potential liability for content uploaded from our users in connection with our community-related content or movie reviews. If we face liability, particularly liability that is not covered by our insurance or is in excess of our insurance coverage, then our business may suffer. In the past, plaintiffs have brought these types of claims and sometimes successfully litigated them against online services. Litigation to defend these claims could be costly or result in damages. We cannot assure you that we are adequately insured to cover claims of these types or to indemnify us for all liability that may be imposed on us. Under the Children's Online Privacy Protection Act, which becomes effective April 21, 2000, we may be required to obtain parents' consents prior to collecting movie preferences or other information from children under the age of 13. We cannot assure you that we will be able to effectively obtain required consents, or regulate the use of our Web site by children without obtaining required consents.

We may need to change the manner in which we conduct our business, or incur greater operating expenses, if government regulation of the Internet increases.

The adoption or modification of laws or regulations relating to the Internet could adversely affect the manner in which we currently conduct our business. In addition, the growth and development of the market for online commerce may lead to more stringent consumer protection laws which may impose additional burdens on us. Laws and regulations directly applicable to communications or commerce over the Internet are becoming more prevalent. The United States government recently enacted Internet laws regarding privacy, copyrights, taxation and the transmission of sexually explicit material. The regulation of the Internet, however, remains largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws and

regulations such as those governing intellectual property, privacy, libel and taxation apply to the Internet.

The nature of this legislation and the manner in which it may be interpreted and enforced cannot be fully determined and, therefore, this legislation could subject either us or our customers to potential liability, which in turn could have an adverse effect on our business, results of operations and financial condition. The adoption of any of these laws or regulations also might decrease the rate of growth of Internet use, which in turn could decrease the demand for our products or increase the cost of doing business or in some other manner have an adverse effect on our business, results of operations and financial condition. In addition, applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity and personal privacy is uncertain. The vast majority of these laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses or alter our business model.

Taxation of online commerce could reduce demand for our services and increase our administrative expenses.

Some states are reviewing the appropriate tax treatment of online commerce, and the application of the law relating to these taxes is unclear. The imposition of additional sales taxes on transactions conducted through our Web site could make our service less valuable to subscribers and suppliers and reduce transaction volume. This would harm our revenues. In addition, the collection and payment of such taxes may cause us or our subscribers to incur significant administrative effort and expense.

Federal legislation imposing limitations on the ability of states to tax Internet access was enacted in 1998. The Internet Tax Freedom Act, as this legislation is known, exempts specific transactions conducted over the Internet from multiple or discriminatory state and local taxation through October 21, 2001. It is possible that this legislation will not be renewed beyond its scheduled termination. Failure to renew this legislation could allow state and local governments to impose taxes on particular transactions, and these taxes could decrease the demand for our services or increase our costs of operations.

Risks Related to This Offering

Our officers and directors and their affiliates will exercise significant control over NetFlix.

After the completion of this offering, our executive officers and directors, their immediate family members and affiliated venture capital funds will beneficially own, in the aggregate, approximately % of our outstanding common stock. These stockholders may have interests that are different from yours. As a result, these stockholders will be able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could delay or prevent someone from acquiring or merging with us. See "Principal Stockholders".

It may be difficult for a third party to acquire us due to anti-takeover provisions.

Following this offering, our charter documents will authorize 10,000,000 shares of undesignated preferred stock, create a classified board of directors, eliminate the right of stockholders to call a special meeting of stockholders, require stockholders to comply with

advance notice requirements before raising a matter at a meeting of stockholders, eliminate the ability of stockholders to take action by written consent and eliminate the ability of stockholders to cumulate votes in the election of directors. As a Delaware corporation, we are also subject to the Delaware antitakeover statute contained in Section 203 of the Delaware General Corporation Law. These provisions could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. For a description of our capital stock, see "Description of Capital Stock."

Investors will incur immediate dilution and may experience further dilution following the offering.

The initial offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of the outstanding common stock immediately after the offering. Accordingly, if you purchase common stock in this offering, you will incur immediate and substantial dilution in the pro forma net tangible book value per share of the common stock from the price you pay for common stock. We also have a large number of outstanding stock options and warrants to purchase our common stock with exercise prices significantly below the estimated initial public offering price of the common stock. To the extent such options or warrants are exercised, there will be further dilution. See "Dilution".

Our stock price could be volatile and could decline following this offering.

The stock market has experienced significant price and volume fluctuations, and the market prices of Internet and technology companies have been highly volatile. You may not be able to resell your shares at or above the initial public offering price. The price at which our common stock will trade after this offering could be volatile and may fluctuate substantially due to factors such as:

. our historical and anticipated quarterly and annual operating results;

. variations between our actual operating results and the expectations of investors and the financial community;

. announcements by us or others and developments affecting our business, systems or expansion plans; and

. conditions and trends in online commerce industries, particularly the online DVD rental industry.

In the past, securities class action litigation often has been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management's attention and resources.

Future sales of our common stock, including those purchased in this offering, may depress our stock price.

If our existing stockholders sell substantial amounts of our common stock in the public market following this offering, the market price of our common stock could fall. Shares issued upon the exercise of outstanding options also may be sold in the public market. Such sales could create the perception to the public of difficulties or problems with our business. As a result, these sales might make it more difficult for us to sell securities in the future at a time and price that we deem necessary or appropriate.

Upon completion of this offering, we will have outstanding shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of

outstanding options and warrants after April 13, 2000. Of these shares, of the shares sold in this offering are freely tradable. The remaining 31,105,451 shares will become eligible for sale in the public market as follows:

Date	Number of Shares
At the date of this prospectus	[0]
181 days after the date of this prospectus	[25,775,428]
April 13, 2001	[5,339,023]

We do not intend to pay dividends. You will not receive funds without selling shares, and you may lose the entire amount of your investment.

We have never declared or paid any cash dividends on our capital stock and do not intend to pay dividends in the foreseeable future. We intend to invest our future earnings, if any, to fund our growth. Therefore, you will not receive any funds without selling your shares. We cannot assure you that you will receive a return on your investment when you sell your shares or that you will not lose the entire amount of your investment.

YOU SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS BECAUSE THEY ARE INHERENTLY UNCERTAIN

You should not rely on forward-looking statements in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. These statements relate to our future plans, objectives, expectations and intentions. We use words such as "anticipates," "believes," "plans," "expects," "future," "intends" and similar expressions to identify such forward-looking statements. Forward looking statements include statements regarding our business strategy, future operating performance, the size of the market for our services and our prospects. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in "Risk Factors" starting on page 6 and elsewhere in this prospectus. These forward-looking statements speak only as of the date of this prospectus, and we caution you not to rely on these statements without also considering the risks and uncertainties associated with these statements and our business that are addressed in this prospectus.

This prospectus contains various estimates related to the Internet, e- commerce and the movie industry. These estimates have been included in studies published by market research and other firms including Jupiter Communications, Media Metrix, Inc., The Motion Picture Association of America, Paul Kagan Associates, Inc., Forrester Research and International Data Corporation. These estimates have been produced by industry analysts based on trends to date, their knowledge of technologies and markets, and customer research, but these are forecasts only and are subject to inherent uncertainty.

USE OF PROCEEDS

The net proceeds to us from the sale of the shares of common stock offered by us are estimated to be $, after deducting the underwriting discounts and commissions, estimated offering expenses and assuming no exercise of the underwriters' over-allotment option to purchase shares from us.

We expect to use the net proceeds for general corporate purposes, principally working capital, capital expenditures and additional sales and marketing efforts. In addition, we may use a portion of the net proceeds to acquire complementary products, technologies or businesses; however, we currently have no commitments or agreements and are not involved in any negotiations to do so. Pending use of the net proceeds of this offering, we intend to invest the net proceeds in interest-bearing, investment-grade securities with maturities of less than 13 months.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Our existing lease financing agreements prohibit the payment of dividends.

CAPITALIZATION

The following table sets forth the following information as of December 31, 1999:

. our actual capitalization,

. our pro forma capitalization which gives effect to the conversion of all outstanding shares of convertible preferred stock into 19,428,765 shares of common stock, and

. our pro forma as adjusted capitalization which gives effect to the sale of our Series E Preferred Stock in April 2000 and to the sale of shares of common stock at the estimated initial public offering price of $ per share in this offering, less the underwriting discounts and commissions and estimated offering expenses.

	As of December 31, 1999		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share data)		
Long-term notes payable--net	$ 3,959	$ 3,959	$
Capital Lease Obligations-net of current portion	811	811	
Total debt	4,770	4,770	
Mandatorily redeemable convertible preferred stock and warrants:			
Series B Convertible Preferred Stock: 5,776,616 shares authorized; 5,684,024 shares issued and outstanding (actual); no shares issued or outstanding (pro forma and pro forma as adjusted)	6,000	--	
Series C Convertible Preferred Stock: 4,750,000 shares authorized; 4,650,269 shares issued and outstanding (actual); no shares issued or outstanding (pro forma and pro forma as adjusted)	15,150	--	
Series D Convertible Preferred Stock: 4,650,000 shares authorized; 4,649,927 shares issued and outstanding (actual); no shares issued or outstanding (pro forma and pro forma as adjusted)	30,318	--	
Convertible preferred stock warrants	351	--	
Total mandatorily redeemable convertible preferred stock and warrants	51,819	--	
Stockholders' equity (deficit):			
Preferred Stock; $0.001 par value: 5,000,000 shares authorized, no shares issued or outstanding (pro forma and pro forma as adjusted)	--	--	
Convertible preferred stock; 4,444,545 shares issued and outstanding (actual); no shares issued or outstanding (pro forma and pro forma as adjusted)	4	--	
Common Stock, $.001 par value: 31,650,000 shares authorized (actual pro forma and pro forma as adjusted); 6,222,650 shares issued and outstanding (actual); 25,651,415 shares issued and outstanding (pro forma); and shares issued and outstanding (pro forma as adjusted)	7	26	
Additional paid-in capital	16,087	67,891	
Deferred stock-based compensation	(6,841)	(6,841)	
Accumulated deficit	(41,285)	(41,285)	
Total stockholders' equity (deficit)	(32,028)	19,791	
Total capitalization	$ 24,561	$ 24,561	$

This table excludes the following shares:

. 3,426,922 shares of common stock reserved for issuance under our 1997 Stock Plan,

. 92,592 shares of preferred stock issuable upon exercise of outstanding warrants.

See "Management--Compensation Plans," "Description of Capital Stock" and Notes 4 and 6 of Notes to Financial Statements.

DILUTION

The pro forma net tangible book value of our common stock on March 31, 2000 was $, or approximately $ per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of shares of common stock offered by this prospectus at an estimated price of $ per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value would have been $, or approximately $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to new investors.

Estimated public offering price per share.....		$
Pro forma net tangible book value per share as of March 31, 2000.....	$	
Increase per share attributable to new investors.....		
Pro forma net tangible book value per share after the offering....		

Dilution in pro forma net tangible book value per share to new investors.....		$
		====

This table excludes all options and warrants that will remain outstanding upon completion of this offering. See Notes 4 and 6 to Notes to Financial Statements. The exercise of outstanding options and warrants having an exercise price less than the offering price would increase the dilutive effect to new investors.

The following table sets forth, as of March 31, 2000, the differences between the number of shares of common stock purchased from us, the total price and average price per share paid by existing stockholders and by the new investors, before deducting expenses payable by us, using the estimated public offering price of $ per share.

	Shares Purchased		Total Consideration		
	Number	Percentage	Amount	Percentage	Average Price Per Share
Existing stockholders...		%	$	%	$
New investors.....		%		%	
Total.....		100.0%	$	100.0%	$

If the underwriters over-allotment option is exercised in full, the number of shares held by new public investors will be increased to or approximately % of the total number of shares of our common stock outstanding after this offering.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and are qualified by reference to the financial statements and notes thereto appearing elsewhere in this prospectus. The audited statement of operations data set forth below for the period from August 29, 1997 through December 31, 1997 and the years ended December 31, 1998 and December 31, 1999, and the unaudited balance sheet data at December 31, 1997 and the audited balance sheet data at December 31, 1998 and December 31, 1999, are derived from, and are qualified by reference to, the financial statements of NetFlix included elsewhere in this prospectus. The historical results are not necessarily indicative of results to be expected for any future period.

	Period from August 29, 1997 (inception) to December 31, 1997	Years ended December 31, 1998	1999
	(in thousands, except share and per share data)		
Statement of Operations Data:			
Revenues	$ --	$ 1,339	$ 5,006
Cost of revenues	--	1,311	4,373
Gross profit	--	28	633
Operating expenses:			
Product development	100	3,857	7,413
Sales and marketing	103	4,815	16,424
General and administrative	158	1,358	2,085
Stock-based compensation	--	1,151	4,742
Total operating expenses	361	11,181	30,664
Operating loss	(361)	(11,153)	(30,031)
Other income (expense), net	2	72	186
Net loss	(359)	(11,081)	(29,845)
Net loss attributable to common stockholders	$(359)	$(11,081)	$(29,845)
Basic and diluted net loss per common share	$ --	$ (12.27)	$ (5.60)
Weighted-average shares outstanding used in computing net loss per common share	--	903	5,328

	December 31, 1997 (unaudited)	1998	1999
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$1,582	$1,061	$14,198
Working capital	1,360	(4,704)	11,028
Total assets	1,901	4,849	34,773
Capital lease obligations, less current portion	--	172	811
Notes payable, less current portion	--	--	3,959
Mandatorily redeemable convertible preferred stock	--	6,321	51,819
Stockholders' equity (deficit)	1,636	(8,044)	(32,028)

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

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and related notes. This discussion contains forward-looking statements the accuracy of which involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in "Risk Factors" starting on page 6 and elsewhere in this prospectus.

Overview

We have created an authoritative online source for movie recommendations and selection based on personal preferences. We collect preference data from our users through our Personal Movie Finder service to provide personalized movie recommendations. At our Web site, www.netflix.com, users can rent DVDs through our Unlimited Rental subscription service, purchase DVDs through our e-commerce referral program and choose theater locations and showtimes.

Our Unlimited Rental subscription service offers an unlimited number of DVD rentals with no due dates or late fees, for between $15.95 and $19.95 per month. Users are allowed to have up to four movies out at the same time to ensure convenient selection at home. As of March 31, 2000, we had over 120,000 paying subscribers to our Unlimited Rental service.

We currently generate substantially all of our revenue from our Unlimited Rental subscription service. Fees received from our referral e-commerce affiliates have not been significant to date. We expect to begin recognizing revenues from selling advertising on our Web site in the near future. However, we anticipate that DVD rental subscription fees will still generate substantially all of our revenues for the foreseeable future.

We were organized as a Delaware corporation in August 1997. For the period from our inception through March 1998, our operations consisted primarily of start-up activities such as developing our Web site, raising capital, building our network infrastructure, technology and content development and establishing supplier relationships. We began recognizing revenues in April 1998, when we launched our Web site. From launch through March 1999, we were engaged in the rental and sale of DVDs. Since March 1999, we have been engaged exclusively in the DVD rental business. In September 1999, we launched a subscription service for DVD rental. Since March 2000, we have rented DVDs exclusively through our subscription service.

We have incurred significant losses since our inception. As of December 31, 1999, we had an accumulated deficit of $41.3 million. We expect that we will continue to incur substantial losses for the foreseeable future and that the rate at which we incur those losses will increase as we expand our customer acquisition activities and the infrastructure to support the growth in our subscriber base. We also expect to incur significant marketing, product development, and general and administrative expenses. As a result, we will need to generate significant revenues to achieve profitability and may never achieve profitability.

Revenues

Substantially all of our revenues are derived currently from monthly subscription fees related to our Unlimited Rental service. Since launching our Web site in April 1998 through January 1999, our revenues primarily were generated from individual DVD rentals, DVD sales

and shipping charges to customers. In March 1999, we stopped selling DVDs. From February 1999 through October 1999, our revenues were generated primarily from individual DVD rentals and shipping charges to customers. In September 1999, we launched our DVD subscription rental service. Through February 2000, for a fixed subscription fee of $15.95 per month, customers could rent up to four DVDs per month with no due dates or late fees, and any additional DVDs ordered in the month were charged to the customer at a rate of $3.98 per DVD. In February 2000, we modified our subscription service to provide unlimited rentals for a fixed monthly fee with a maximum of four DVDs out at the same time. Existing subscribers were migrated to the Unlimited Rental service at a $15.95 per month fee. New subscribers to our Unlimited Rental subscription service pay a monthly fee of $19.95. We periodically test different price points to optimize the relationship between DVD usage, subscriber retention and demand elasticity. In the future, we may offer additional pricing and service subscription options.

Subscription revenues are recognized ratably during each subscriber's monthly subscription period. Refunds to customers are recorded as a reduction of revenues. Historically, revenues from DVD sales, individual DVD rentals and shipping revenues have been recognized when the product was shipped to the customer from our distribution center.

Cost of Revenues

Cost of revenues, with respect to individual and subscription DVD rentals, consists of postage, packaging, rental library depreciation and breakage expense related to paying customers. Historically, cost of revenues also included cost of merchandise sold to customers.

Due to the fixed monthly fee charged to Unlimited Rental subscribers, an increase in the number of DVDs rented per subscriber per month would increase our cost of revenues in absolute dollars and as a percent of revenues.

Since the introduction of our Unlimited Rental service, we have experienced increases in the average number of DVDs rented per subscriber on a monthly basis. While this trend has not had a material impact on our business to date, if it continues our gross margins will decline. We cannot determine if this trend will continue or how large the impact on our margins will be.

Operating Expenses

Product development expenses. Product development expenses consist principally of personnel costs for the creation, launch and improvement of our Web site and internal information systems and development of our Personal Movie Finder service and costs to acquire content.

Sales and marketing expenses. Sales and marketing expenses consist primarily of the direct subscriber acquisition and retention costs related to our DVD rental service. These costs include postage, packaging, rental library depreciation and breakage expense related to our free trial promotion offers to potential new subscribers. Free trial offers have been our primary means of acquiring new customers. We have been promoting aggressively our Unlimited Rental subscription service and, until September 1999, our individual DVD rentals. As part of this strategy, we offer potential subscribers free rentals for a one month trial period. The estimated direct costs of providing free rental trials to potential customers are charged to expense in the month the potential subscriber registers for the free trial. Other sales and marketing expenses include the costs of operating and staffing our distribution and customer service center, advertising, promotional and public relations expenditures.

General and administrative. General and administrative expenses consist primarily of personnel costs and support costs for finance, legal and human resources functions and other administrative costs.

Non-cash compensation. Stock-based compensation for equity instruments issued to employees represents the aggregate difference, at the date of grant, between the respective exercise price of stock options or stock grants and the deemed fair market value of the underlying stock. Stock-based compensation is amortized over the vesting period of the underlying options or grant, generally four years, based on an accelerated amortization method. The total unamortized stock-based compensation recorded for all option and stock grants through December 31, 1999 of $6.8 million is expected to be amortized as follows:
$4.2 million in 2000; $1.8 million in 2001; $704,000 in 2002; and $113,000 in 2003.

Other Non-Cash Item

Upon closing of our initial public offering, we will record a charge to net loss attributable to common stockholders of approximately $29,000,000 for the beneficial conversion feature inherent in the Series E Non-Voting Preferred Stock. The beneficial conversion feature is equal to the difference between the price of the Series E Preferred Stock and the estimated fair value of our common stock at the date the Series E Non-Voting Preferred Stock was issued. The beneficial conversion feature is similar to a dividend on preferred stock that increases net loss to arrive at net loss attributable to common stockholders.

Results of Operations

Period from August 29, 1997 (Inception) to December 31, 1997

As a development stage company prior to December 31, 1997, we did not generate any revenues or cost of revenues or incur any significant operating expenses. Operating expenses in 1997 of $361,000 were related primarily to start-up activities, developing our Web site, raising capital, building our network infrastructure and establishing supplier relationships.

Fiscal Years Ended December 31, 1998 and 1999

The following table presents operating results for the periods indicated as a percentage of revenues.

	Years Ended December 31,	
	1998	1999
Revenues	100 %	100 %
Cost of revenues	98	87
Gross profit	2	13
Operating expenses:		
Product development	288	148
Sales and marketing	360	328
General and administrative	101	42
Stock-based compensation	86	95
Total operating expenses	835	613
Operating loss	(833)	(600)
Other income (expense), net	5	4
Net loss	(828)%	(596)%

Revenues

Revenues increased 274% from $1.3 million in 1998 to $5.0 million in 1999. The increase primarily was attributable to growth in the number of paying customers. These increases were offset partially by a decrease in revenues resulting from our decision to stop selling DVDs in March 1999. Even though revenues have grown significantly in recent quarters, we are unlikely to sustain these percentage growth rates in the future.

Cost of Revenues

Cost of revenues increased 234% to $4.4 million in 1999 compared with $1.3 million in 1998, due to increased sales volume, increased outbound and inbound shipping costs, as well as increased depreciation and scrap expense related to our larger DVD rental library, partially offset by a reduction in the cost of merchandise sold. As a percentage of revenue, cost of revenues decreased from 98% in 1998 to 87% in 1999. The decrease primarily was due to a reduction in the cost of merchandise sold because we stopped selling DVDs. This decrease was offset partially by increases in outbound and inbound shipping costs, as well as increased rental library depreciation and breakage expense due to increased shipment volumes.

Operating Expenses

Product development expenses. Product development expenses increased 92% from $3.9 million in 1998 to $7.4 million in 1999. This increase primarily was due to increased staffing and associated costs related to building and enhancing the features, content and functionality of our Web site, Personal Movie Finder service and transaction processing systems.

Sales and marketing expenses. Sales and marketing expenses increased 241% from $4.8 million in 1998 to $16.4 million in 1999. This increase primarily was due to the costs of subscriber acquisition, including advertising and promotional expenditures, and increased personnel and related expenses required to implement our marketing strategy and to fulfill the increased DVD rental volume.

General and administrative expenses. General and administrative expenses increased 54% from $1.4 million in 1998 to $2.1 million in 1999. This increase was due primarily to increased salaries and related expenses associated with recruiting and hiring additional personnel.

Stock-based compensation expenses. Stock-based compensation for employees increased 364% from $985,000 in 1998 to $4,566,000 in 1999. This increase was due primarily to additional grants made in 1999 and an increase in the difference between the deemed fair market value of our common stock and the related exercise prices. We also issued stock-based awards to consultants. Stock-based awards granted to consultants are measured at fair value. Stock- based awards granted to consultants increased 6% from $166,000 in 1998 to $176,000 in 1999.

Other Income (Expense), Net

Interest and other income, net. Net interest and other income, which consists primarily of interest earned on cash, marketable securities and other investments, increased 711% from $114,000 in 1998 to $924,000 in 1999. This increase was due primarily to interest earned on the proceeds received from Series C Preferred Stock issued in February 1999, Series D Preferred Stock issued in June 1999 and a loan in September 1999.

Interest expense, net. Net interest expense, which primarily consists of interest on capital leases and loans, increased 1,657% from $42,000 in 1998 to $738,000 in 1999. This net increase was due primarily to asset acquisitions financed through loans and capital leases.

Selected Quarterly Operating Results

The following table sets forth unaudited quarterly statement of operations data for the four quarters ended December 31, 1999. The information for each of these quarters has been prepared on substantially the same basis as the audited financial statements included elsewhere in this prospectus, and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the results of operations for such periods. This data should be read in conjunction with the audited financial statements and the related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of the operating results for any future period.

	Quarter Ended			
	March 31, 1999	June 30, 1999	Sept. 30, 1999	Dec. 31, 1999
	(in thousands)			
Statement of Operations Data:				
Revenues	$ 847	$ 854	$ 1,170	$ 2,135
Cost of revenues	663	670	1,276	1,764
Gross profit	184	184	(106)	371
Operating expenses:				
Product development	1,324	1,533	2,106	2,450
Sales and marketing	1,954	2,930	4,994	6,546
General and administrative	532	553	404	596
Stock-based compensation	787	1,203	1,500	1,252
Total operating expenses	4,597	6,219	9,004	10,844
Operating loss	(4,413)	(6,035)	(9,110)	(10,473)
Interest and other income, net	74	112	351	387
Interest expense, net	(165)	(129)	(149)	(295)
Net loss	$(4,504)	$(6,052)	$(8,908)	$(10,381)

	Quarter Ended			
	March 31, 1999	June 30, 1999	Sept. 30, 1999	Dec. 31, 1999
As a Percentage of Revenues:				
Revenues	100 %	100 %	100 %	100 %
Cost of revenues	78	79	109	83
Gross profit	22	22	(9)	17
Operating expenses:				
Product development	156	180	180	115
Sales and marketing	231	343	427	307
General and administrative	63	65	35	28
Stock-based compensation	93	141	128	59
Total operating expenses	543	728	770	508
Operating loss	(521)	(707)	(779)	(491)
Interest and other income, net	9	13	30	18
Interest expense, net	(20)	(15)	(13)	(14)
Net loss	(532)%	(709)%	(761)%	(486)%

Revenues. Our revenues increased during each quarter presented. Our revenues increased by $965,000, or 82%, to $2,135,000 in the fourth quarter of 1999 compared to $1,170,000 in the third quarter of 1999. This increase was attributable primarily to the launch of our subscription rental service in September 1999. Our subscription revenues accounted for $1.2 million, or 56%, of revenues in the fourth quarter of 1999 as compared to $17,000, or 1%, of total revenues in the third quarter of 1999. This increase in subscription revenue resulted in an increase in revenue per subscription rental DVD in the fourth quarter of 1999.

Cost of revenues. Our cost of revenues increased during each quarter presented. The increases were due primarily to an increase in DVD rental volume and outbound and inbound shipping costs as well as an increase in DVD rental library depreciation due to the growth of our rental library in each preceding quarter. Cost of revenues increased as a percentage of revenues from 79% in the second quarter of 1999 to 109% in the third quarter of 1999 due primarily to an increase in outbound and inbound shipping costs. Cost of revenues decreased as a percentage of revenue from 109% in the third quarter of 1999 to 83% in the fourth quarter of 1999 primarily due to a decrease in depreciation expense on subscription rental DVDs.

Operating Expenses

Product development expenses. Product development expenses increased during each quarter presented. These increases were attributable primarily to an increase in personnel and professional consulting costs related to the continued enhancement of our systems and our Web site.

Sales and marketing expenses. Sales and marketing expenses increased during each quarter presented. These increases were primarily attributable to an increase in general promotional spending and costs associated with an increase in the number of free DVD rentals, as well as an increase in the number of trial offers for a DVD subscription service as well as increased numbers of sales and marketing personnel and related expenses.

General and administrative expenses. General and administrative expenses increased during each quarter presented except for a decrease from the second quarter of 1999 to the third quarter of 1999. This decrease was primarily attributed to the decrease in relocation expenses related to hiring. The increase in the fourth quarter primarily was attributable to increased salaries and related expenses associated with the recruiting and hiring of additional personnel.

Stock-based compensation expense. Stock-based compensation expenses increased during each quarter presented except for the fourth quarter of 1999. Stock-based compensation expense declined from the third quarter of 1999 to the fourth quarter of 1999 as a result of compensation charges taken in the third quarter of 1999 resulting from a stock grant made in that quarter.

We expect that we will experience significant fluctuations in our future quarterly operating results due to a variety of factors, many of which are outside our control. Factors that may adversely affect our quarterly operating results include: (1) our ability to maintain or improve subscriber retention rates, attract new users at a steady rate and maintain user satisfaction; (2) our ability to acquire DVDs and to manage fulfillment operations; (3) our ability to maintain gross margins in our existing business and in future product and service areas; (4) the development, announcement, or introduction of new Web sites, services and products by us and our competitors; (5) price competition; (6) our ability to upgrade and develop our systems and infrastructure; (7) the level of use of the Internet and increasing consumer acceptance of the Internet for the purchase and consumption of consumer products and services such as those offered by us; (8) our ability to attract new and qualified personnel in a timely and

effective manner; (9) the level of traffic on our Web site; (10) changes to our service and product offerings or those of our competitors; (11) our ability to manage effectively our development of new business segments and markets; (12) our ability to successfully manage the integration of operations and technology of acquisitions and other business combinations; (13) technical difficulties, system downtime or Internet brownouts; (14) the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; (15) governmental regulation and taxation policies; and (16) general economic conditions and economic conditions specific to the Internet, e-commerce and the entertainment industry.

In addition to these factors, our quarterly operating results are expected to fluctuate based upon seasonal fluctuations in DVD player sales and in the use of the Internet. Based on our limited operating history, we expect to experience stronger seasonal growth in the number of new subscribers during late fall and early winter, reflecting increased purchases of DVD players and redemptions of new trial offers. The DVD industry is new and growing and there may be shifts in seasonal patterns of DVD player sales. Shifts in seasonal sales cycles may occur due to changes in the economy or other factors affecting the market for our services.

Income Taxes

No provision for federal or state income taxes was recorded as we incurred net operating losses from inception through December 31, 1999. At December 31, 1999, we had approximately $32.7 million of federal and state operating loss carryforwards available to offset future taxable income. The state net operating loss carryforwards begin to expire in 2005 and the federal net operating loss carryforwards begin to expire in 2012. The Tax Reform Act of 1986 imposes restrictions on the utilization of net operating loss carryforwards and tax credit carryforwards in the event of an "ownership change" as defined by the Internal Revenue Code. Our ability to utilize our net operating loss carryforwards is subject to restrictions pursuant to these provisions.

Liquidity and Capital Resources

From our inception to December 31, 1999, we have financed our operations primarily with $54.1 million raised through the private sale of our common and preferred equity securities. As of December 31, 1999, we had cash, cash equivalents and short-term investments of $20.5 million.

Net cash used by operating activities was approximately $261,000 in 1997, $5.4 million in 1998 and $16.5 million in 1999. Cash used by operating activities in 1997 was primarily attributable to a net loss of $359,000 and increases in prepaid expenses, partially offset by increases in accounts payable and accrued liabilities. Cash used by operating activities in 1998 was primarily attributable to a net loss of $11.1 million and increases in prepaids and other current assets partially offset by increases in accounts payables, accrued liabilities, deferred compensation expense, depreciation and amortization expense, as well as deferred revenue. Cash used by operating activities in 1999 was primarily attributable to a net loss of $29.8 million partially offset by increases in deferred compensation expense, depreciation and amortization expense, accounts payable, accrued liabilities, noncash interest expense and noncash write-off of broken DVDs, as well as deferred revenue.

Net cash used by investing activities was approximately $152,000 in 1997, $2.4 million in 1998, and $19.8 million in 1999. Cash used by investing activities in 1997 was attributable to purchases of property and equipment. Cash used by investing activities in 1998 was primarily attributable to purchases of DVDs for our rental library and property and equipment. Cash used by investing activities in 1999 was primarily attributable to purchases of DVDs for our rental library, short-term investments and property and equipment.

Net cash provided by financing activities was approximately $2.0 million in 1997, $7.2 million in 1998 and $49.4 million in 1999. Cash provided by financing activities in 1997 was primarily from proceeds of the sale of our Series A Preferred Stock. Cash provided by financing activities in 1998 was primarily from proceeds of the sale of our Series B Preferred Stock, Series A Preferred Stock, and proceeds from issuance of a note payable. Cash provided by financing activities in 1999 was primarily from proceeds of the sale of our Series C and Series D Preferred Stock and from a loan, partially offset by payment of a note payable.

At December 31, 1999 we have commitments of approximately $2.0 million in 2000, $1.7 million in 2001, $1.4 million in 2002, $1.0 million in 2003 and $781,000 in 2004. These commitments are primarily for operating leases related to our corporate headquarters in Los Gatos, California and our operations center in San Jose, California, as well as capital leases related to the purchase of property and equipment.

We expect to devote substantial resources to continue development of our brand and Web site, expand our advertising sales capability, expand and automate fulfillment operations and build the systems necessary to support our growth. Although we believe that the proceeds of this offering, together with our current cash and cash equivalents will be sufficient to fund our activities for at least the next 12 months, there can be no assurance that we will not require additional financing within this time frame or that additional funding, if needed, will be available on terms acceptable to us or at all. In addition, although there are no present understandings, commitments or agreements with respect to any acquisition of other businesses, products or technologies, we may, from time to time, evaluate acquisitions of other businesses, products and technologies. In order to consummate potential acquisitions, if any, we may need additional equity or debt financing.

Year 2000 Compliance

We currently are not aware of any Year 2000 problem in any of our critical systems and services. However, we cannot guarantee that a Year 2000 problem will not become apparent in the future. Should we or any third parties upon which we rely experience any failure in critical systems and services, we might experience, among other difficulties, operational inconveniences and inefficiencies that may divert our management's time and attention from ordinary business activities and could experience harm to our business.

Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position, or SOP, No. 98-1, "Software for Internal Use," which provides guidance on accounting for the cost of computer software developed or obtained for internal use. SOP No. 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. The adoption of this standard has not had a material effect on our capitalization policy, results of operations, financial position or cash flows.

In March 2000, the Financial Accounting Standards Board issued Financial Accounting Standard Interpretation No. 44 (FIN 44) "Accounting for Certain Transactions Involving Stock Compensation." This interpretation clarifies the accounting for certain issues relating to employee stock based compensation awards, including the definition of employee, the criteria for a non- compensatory plan and modifications of terms of stock award plans. We do not expect the application of FIN 44 to have a significant impact on our results of operations, financial position or cash flows.

We do not expect the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," in the third quarter

of 2000 to have a significant impact on our results of operations, financial position or cash flows. This statement deals with accounting for derivative instruments and hedging activities.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, or SAB 101. SAB 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. We believe that our current revenue recognition principles comply with SAB 101.

Qualitative and Quantitative Disclosures about Market Risk

The primary objective of our investment activities is to preserve principal, while at the same time maximizing income we receive from investments without significantly increased risk. Some of the securities we invest in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then- prevailing rate and the prevailing interest rate later rises, the value of our investment will decline. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and investments in a variety of securities, including commercial paper, money market funds, government and non- government debt securities and certificates of deposit with maturities of less than thirteen months. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate.

BUSINESS

We have created an authoritative online source for movie recommendations and selections based on personal preferences. We use the preference data collected by our Personal Movie Finder service to guide consumers to movies they will enjoy viewing at home and in theaters. We believe we currently operate one of the world's largest personal movie preference ratings databases with over 8.9 million personal movie ratings contributed by more than 132,000 individual users as of March 31, 2000. At our Web site, www.netflix.com, users can rent DVDs through our Unlimited Rental subscription service, purchase DVDs through our e-commerce referral program and choose theater locations and showtimes.

The primary accelerant to the growth of our Personal Movie Finder database has been the ratings collected from subscribers to our Unlimited Rental service. As of March 31, 2000, we had over 120,000 paying subscribers. The rapid growth to date of our Unlimited Rental subscription service has been the result primarily of the rapid consumer adoption of DVD technology and our relationships with leading DVD manufacturers, including Sony, Toshiba, Panasonic and RCA. These DVD manufacturers, which accounted for over 90% of the DVD players sold in the U.S. in 1999, insert promotional offers to our Unlimited Rental subscription service into the boxes of DVD players sold in the U.S. We also have relationships with major consumer electronics retailers, such as Circuit City and The Good Guys, which provide promotional offers for our Unlimited Rental service to their customers.

With our rapidly growing user base and expanding Personal Movie Finder database we can market movies directly to targeted audiences through e-mail, banner ads, streamed trailers and other rich media content based on the known movie tastes of our individual users. As technology evolves on the Internet, we intend to use our expertise in personal movie recommendations as a programming guide to Internet delivered video for our users.

Industry Background

The Movie Industry

Domestic consumer expenditures for filmed entertainment are large and growing. Paul Kagan Associates, Inc., estimates that consumers in the United States spent $25.6 billion on home video and theatrical filmed entertainment in 1999, up from $21.4 billion in 1996, and will grow to $35.0 billion in 2004. Home video rentals are the largest single source of domestic consumer expenditures on movies, representing about $8.3 billion, or 32% of such expenditures in 1999, according to Paul Kagan Associates, Inc.

The home video segment is in the midst of a rapid transition from VHS tape format to DVD technology. DVD is a digitally recorded format for video, similar to compact discs in the music industry, which provides a higher resolution picture and more robust sound than VHS. With every major domestic movie studio supporting DVD, there are over 5,800 titles currently available in DVD format. According to Paul Kagan Associates, Inc., DVD player adoption has occurred faster in its first three years since introduction than audio CD players, digital broadcast systems or videocassette recorders. According to Paul Kagan Associates, Inc., since the introduction of the DVD player in 1997, the domestic installed base has grown to 5.4 million households at the end of 1999 and is forecast to grow to 39.4 million households by the end of 2004, a 49% compound annual growth rate. In addition, the most recent versions of other consumer devices such as personal computers and entertainment consoles are also capable of playing DVDs.

Movie Marketing

The movie industry spends a large and increasing amount of money to promote its films. In 1999, members of the Motion Picture Association of America, or MPAA, excluding member company subsidiaries, spent an average of $21.4 million per movie to market and promote the theatrical release of new feature films, according to the MPAA.

In spite of the large amounts spent on marketing, the industry has lacked an effective means to market movies to targeted audiences on a personalized basis. The MPAA reports that the major studios rely primarily on mass market media to advertise and promote new feature films. According to the MPAA, in 1999, 75.6% of advertising dollars spent by movie studios were directed to newspaper, television, radio, magazines and billboards. A large portion of the remaining dollars was devoted to other mass media including film trailers, point-of-sale promotions in theaters and Internet Web sites. Mass media advertising is effective for blockbuster films with mass-market appeal. For films with narrower appeal, mass media is not always cost effective.

Consumer Frustrations

Consumers often are frustrated by their efforts to choose and consume movies. In the absence of personalized movie marketing, consumers rely on traditional information sources for movie recommendations such as advertising, critical reviews and word-of-mouth which may not be reliable predictors of personal movie tastes. As a result, consumers may spend money on movies which they do not like based on poor recommendations.

Having selected a movie, consumer demand is often frustrated in attempting to view that movie. At the rental store, for example, consumer choice can be limited by shelf space and a focus on new releases, and consumers are inconvenienced by travel to and from the store to pickup and to drop off movies to avoid late fees. At the theater, it often can be difficult to see new and popular releases without significant effort and inconvenience, such as ticket lines, a sold-out box office and inconvenient showtimes. At retail stores, consumers are often inconvenienced by limited choice and a lack of competitive pricing.

Opportunity on the Internet

Rapid growth of the Internet is fundamentally changing the way consumers communicate, gather information and purchase products and services without regard to geographical constraints. According to International Data Corporation, there were 186 million Internet users worldwide at the end of 1999, and this number is forecast to grow to 503 million by the end of 2003. According to Jupiter Communications, Internet advertising is projected to grow to $11.5 billion in 2003 from $3.2 billion in 1999. Additionally, according to Forrester Research, Internet commerce is expected to grow to $143.8 billion by the end of 2003 from $20.3 billion in 1999.

The unique characteristics of the Internet allow businesses to offer a broad selection of services and products, increased information and enhanced convenience. For businesses that offer a marketplace for services, products or information on the Internet, there often develops a network effect by which the most visited Web sites can expand their user generated content faster than their competitors, and in turn attract more traffic to their sites as a result of this user generated content. With their resulting critical mass these Web sites usually become the consumers' destination of choice.

Many online entertainment Web sites are generally focused on content aggregation and retail commerce and have not effectively harnessed the power of the Internet to gather and utilize personal preference information. For example, many Web sites collect demographic and

purchase data about customers as a proxy for user preferences. However, in certain taste-based product areas, like movies, where people consume the product before knowing whether they will like it, purchase behavior can often be a misleading indicator of consumer preference. We believe that there is an opportunity to leverage the Internet to enable consumers to select movies based on their individual preferences and to enable the movie industry to market movies directly to their target consumer audience.

As technology continues to evolve on the Internet, we expect consumers to be able to access significantly greater quantities of entertainment content, including streamed and downloadable video, than ever before. As access to the number of programming choices grows, we believe consumers will develop a compelling need for a personalized programming guide to find entertainment content compatible with their personal preferences. We believe the limitations for both consumers and movie industry participants creates an opportunity for a company to leverage the power and network effects of the Internet to create a movie portal to solve these needs.

The Netflix Solution

We are developing a comprehensive online portal for personalized movie recommendations and selection to benefit both consumers and the movie industry community.

Consumers

NetFlix offers customers:

. Personalized recommendations. Consumers use our Personal Movie Finder service to help find movies they will enjoy watching. After rating at least 20 movies on our Web site, any visitor may use the Personal Movie Finder service to receive recommendations based on his or her individual tastes and preferences. As the number of users and their movie ratings increases, we believe our Personal Movie Finder service is able to more accurately predict the preferences of individual users.

. Multiple consumption options. Once we have recommended a movie, our users can pursue any one of several consumption options, including DVD rental through our Unlimited Rental subscription service, purchase through a referral to one of our six e-commerce affiliates, and, at the theater, by selecting location and showtimes on our Web site. As technology evolves on the Internet, we intend to use our expertise in personal movie recommendations as a programming guide to Internet delivered video for our users.

. Compelling value. Our Unlimited Rental service provides users the ability to rent as many DVDs as they want for between $15.95 and $19.95 per month and to have up to four DVD movies out at the same time without due dates or late fees. Subscribers can choose, 24 hours a day, seven days a week, from a comprehensive selection of over 5,800 DVD titles. DVDs are mailed individually to subscribers via the U.S. Postal Service with a pre-addressed postage paid return mailer to enable convenient return.

Movie Industry Community

Our solution also offers a number of potential benefits for the other members of the movie industry community, including producers, distributors, marketers, theaters, retailers and consumer electronics manufacturers. These benefits include:

. Targeted consumer marketing. We are well positioned to help studios promote new releases to targeted audiences based on our Personal Movie Finder preference

information. This will enable studios to reach interested consumers more cost effectively and directly through e-mail, banner ads, streamed trailers and other rich media content.

. Online theater promotion and ticket sales. We recommend theaters based on location, showtimes and features such as screen size, seating and sound systems. We also offer our customers personalized recommendations for theatrical releases and plan to offer access to e-tickets for those movies in the future.

. Increased retail sales for our affiliates. We help increase sales at both online and offline retailers of DVDs and DVD players. We have relationships with major DVD manufacturers, including Sony, Toshiba, Panasonic and RCA, which accounted for over 90% of all DVD players sold in the U.S. in 1999, and with major electronics retailers of DVD players, including Circuit City and The Good Guys, to offer coupons for our Unlimited Rental subscription service to their customers as a DVD player purchase incentive. We also have relationships with leading online retailers Amazon.com,, Buy.com, DVD Express, Reel.com, Sam Goody.com and 800.com to whom we refer our customers who wish to purchase movies.

The NetFlix Strategy

Our goal is to be the definitive online intermediary for choosing movies and other video entertainment. Key elements of our strategy include:

Build the authoritative personal movie recommendation service. We have built what we believe to be the world's largest movie ratings database that contains over 8.9 million personal movie ratings from over 132,000 individual consumers. The large number of personal ratings has been driven by increasing consumer use of our Personal Movie Finder recommendation service and the success of our Unlimited Rental subscription service. As the number of users and their movie ratings increases, Personal Movie Finder is able to more accurately predict the preferences of individual users. As our recommendations become better, we believe we will attract more users, creating a cycle that leverages the database's network effect. We intend to exploit our first-mover advantage and to continue to increase the size and robustness of the database by aggressively marketing our Unlimited Rental subscription service and adding additional features to our Web site.

Build the NetFlix brand and community. We intend to build the NetFlix brand as the definitive, trusted Internet intermediary for choosing movie and other video entertainment. We believe that building greater awareness of the NetFlix brand within and beyond the NetFlix community of Unlimited Rental subscribers is critical to expanding its user base beyond the DVD home video market. The larger user base also will increase the predictive capability of our Personal Movie Finder service. Historically we have relied mainly on promotional offers distributed by DVD manufacturers to promote the Unlimited Rental subscription service. We intend to broaden our brand awareness and visibility through a variety of marketing and promotional activities, including advertising in print and broadcast media and on other leading Internet Web sites, conducting an ongoing public relations campaign, engaging in cross-promotional activities with our DVD manufacturer partners, as well as developing new business alliances and partnerships including co-branded syndication of our Personal Movie Finder service.

Enhance the user experience. We intend to continuously enhance the features and functionality of our service to improve the user experience on our Web site. Augmenting the personalization features of our Web site is key to this endeavor. For instance, most pages the

user views on our Web site vary based on the user's preferences and movie rental history. We will continue to expand the dynamic features of our Web site in order to enhance our customer's overall satisfaction. We also offer users content such as movie reviews and streamed trailers. We plan to invest heavily in technology and customer service to improve the speed and ease-of-use of our Web site and the overall user experience.

Pursue multiple revenue streams. To date, substantially all of our revenue has been derived from our Unlimited Rental subscription service and its predecessor services. We have the opportunity, however, to leverage the traffic on our Web site to pursue additional revenue streams. For instance, we currently share in the retail sales resulting from referrals to our six e- commerce affiliates. We also intend to derive additional revenue from the introduction of new services such as banner advertisements and sponsored content areas on our Web site, promotional messaging in connection with the more than 800,000 DVD mailers we ship monthly, access to theatrical e-ticketing and marketing programs for theatrical releases. We also are considering opportunities to leverage our operational infrastructure from our Unlimited Rental subscription service to pursue additional revenue opportunities.

Build strong studio relationships. We view the movie studios and their distributors as strategically important and plan to invest in building strong relationships with them. Our Personal Movie Finder preference data will enable movie studios and their distributors to reach highly targeted audiences to promote new theatrical and home video releases. Through targeted marketing and virtually unlimited online shelf space, we can offer studios enhanced promotional opportunities for new titles and back catalog.

NetFlix Offerings

We offer a wide range of services designed to help our users identify, locate, purchase and rent movies they will enjoy at home or in a local theater. The key features of our Web site include our Personal Movie Finder service, our Unlimited Rental subscription service, our DVD sales referral program, our theatrical showtime and information listings, our dynamic presentation of movie selections and our unique content and customer communications.

Personal Movie Finder Service

The heart of our Personal Movie Finder service is our proprietary CineMatch technology, which enables us to accurately predict the movie tastes of our customers. Each user who enters our Web site is given the opportunity to rate movies. Based on a user's own movie ratings, our Personal Movie Finder service enables us to recommend "best bets" based on the ratings of thousands of other users. As the number of users and their movie ratings increases, our Personal Movie Finder service is able to more accurately predict the preferences of individual users. Our recommendations are available to anyone, whether or not an Unlimited Rental subscriber, who has rated at least 20 movies on our Web site. By aggregating these ratings, we have built what we believe to be the world's largest personal movie ratings database that contains over 8.9 million movie ratings from more than 132,000 individual consumers as of March 31, 2000. Over the ten weeks ended April 7, 2000, our users rated movies at an average rate of more than 720,000 per week.

We also use our Personal Movie Finder service to determine which movies to display to a customer and in which order. For example, a list of new releases may be ranked by user preference rather than by release date, allowing a user to more quickly focus on movies he or she is likely to enjoy. In addition, these ratings will determine which movies to feature in lead page positions on our Web site to increase customer satisfaction and rental activity.

Unlimited Rental Subscription Service

Our Unlimited Rental service is a monthly DVD subscription program offering a selection of over 5,800 movie titles on DVD, an unlimited number of rentals each month and no due dates or late fees, for between $15.95 and $19.95 per month. Users are allowed to have up to four movies out at the same time and may keep each one for as long as they wish. Subscribers choose their movies online using our CineMatch technology or by searching for movie titles. The movies are mailed individually via the U.S. Postal Service with a pre-addressed postage paid return mailer. Subscribers build a queue of movies they would like to see so that a new movie is automatically shipped, usually within a day after one is returned. We believe that, based on historical trends, on average more than 85% of subscribers are active renters in any given month.

Sales Referral Service

A significant percentage of DVD owners choose to purchase DVDs from online retailers, and there frequently is variability in the pricing, selection and service levels of these vendors. We offer a DVD shopping service that allows customers to locate and compare the prices of DVDs among our six e-commerce affiliates. This service enables the consumer to simultaneously determine shipping and tax, evaluate shipping and service policies and identify specials. In addition, we provide editorial reviews and customer ratings of these affiliates. Customers choosing to purchase a DVD from an affiliate can click- through directly to the appropriate page on the affiliate's Web site to complete the purchase.

Theater Services

We recently expanded our Personal Movie Finder service beyond movies available on DVD to include theatrical releases. In addition to providing detailed content and editorial for these titles, we offer showtimes and locations for movies. Our Personal Movie Finder service also can make a theater recommendation based on a customer's location preference. Our Web site also helps customers make informed decisions about which theater to attend by providing detailed descriptions and customer reviews of theaters throughout North America. Finally, we intend to access to offer e-ticketing services by which customers will be able to reserve and purchase tickets for specific theaters and showtimes.

Dynamic Presentation

We personalize the presentation of movies, information and services on our Web site for each customer. The presentation is adjusted dynamically depending on a number of factors, including the customer's movie taste and physical location and our current inventory levels and merchandising requirements. A new customer would be presented with offers and services likely to be attractive to a first-time visitor, while an existing customer would receive a home page featuring products and information chosen based on that customer's preferences.

Dynamic merchandising also is used on the Web site as a means to efficiently manage our inventory and to increase subscriber satisfaction with our service. For example, a title that becomes temporarily out of stock will no longer be recommended to a customer and will be replaced on the Web site on a real time basis with other recommended titles. This dynamic exchange of titles occurs throughout the day as our systems constantly update inventory levels.

Content and Communication

We offer extensive content to help our customers find movies. In addition to specific Personal Movie Finder ratings, customers can view DVD box shots, editorial descriptions of

each movie, promotional movie trailers and movie critic recommendations. We update this content as new movies become available.

We aggressively encourage our customers to contribute reviews of movies, theaters, online retailers and movie critics through our "You Review It!" feature. We also provide information and special offers to customers who elect to receive them by e-mail through our "NetFlix Knows" services, including our "NetFlix Knows the Buzz" e-mail newsletter, which gives information on movies, stars, trivia and special offers, "Editor's Choice" which provides customized recommendations directly to a user's e-mail and "Lights . . . Camera . . . Action!" which reminds users to visit our Web site in time to receive movies for the weekend.

Sales and Marketing

We currently focus on bringing users to our Web site through our Unlimited Rental subscription service, which we promote primarily through our free trial offer programs in partnership with DVD equipment manufacturers and retailers and other parties with whom we have relationships.

. DVD Equipment Manufacturers. We have relationships with major DVD manufacturers, including Sony, Toshiba, Panasonic and RCA, which accounted for over 90% of all DVD players sold in the U.S. in 1999, to offer coupons for our Unlimited Rental subscription service to their customers as a DVD player purchase incentive. Our agreements with these consumer electronic manufacturers provide that the retailers promote our service on a non-exclusive basis as a means of making their DVD players more attractive to consumers.

. DVD Equipment Retailers. We have relationships with major electronics retailers of DVD players, such as Circuit City and The Good Guys, to offer coupons for our Unlimited Rental subscription service to their customers as a DVD player purchase incentive. These promotional programs typically include point-of-sale materials promoting the NetFlix service, including stickers on product packaging, and inclusion in store circulars and catalogs.

. DVD Retailers. We provide our promotional offers for the Unlimited Rental subscription service to purchasers of DVDs at stores such as Suncoast Video.

. Other Promotions. We also distribute our promotional offers through other means such as direct mail and online promotions, and through other companies involved in the movie and DVD industry such as Monster Cable Products, Inc., an audio component manufacturer.

We intend to broaden our brand awareness and visibility through a variety of marketing and promotional activities, including advertising in print and broadcast media and on other leading Web sites, conducting an ongoing public relations campaign, engaging in cross-promotional activities with our DVD manufacturer partners, as well as developing new business alliances and partnerships which could include co-branded syndication of our Personal Movie Finder service.

Customer Service

We believe that our ability to establish and maintain long-term relationships with our customers depends, in part, on the strength of our customer support and service operations. Furthermore, we encourage and utilize frequent communication with and feedback from our customers in order to continually improve our Web site and our services. Our team of customer support and service personnel is responsible for handling general customer

inquiries, answering customer questions about the rental process and investigating the status of shipments and payments. Our customer support and service operates 18 hours a day seven days a week. We utilize email to proactively correspond with our customers. We also offer phone support for customers who prefer to talk directly with a customer service representative. We have automated certain tools used by our customer support and service staff and intend to actively pursue further automation and enhancements of our customer support and service systems and operations. Our customer service operations are housed in our San Jose, California facility.

Fulfillment and Inventory Management

We currently stock more than 5,800 DVD titles and own in excess of 800,000 DVDs. We manage our fulfillment operations for our Unlimited Rental operations in-house with no outsourcing. During March 2000, we shipped in excess of 800,000 DVDs to our subscribers. Our fulfillment operations are housed in a 58,000 square foot facility in San Jose, California. This same facility processes all DVDs as they are returned by subscribers. During March 2000, we processed in excess of 800,000 DVD returns. We believe that we can ship up to six million DVDs per month from this facility without additional automation and eight million DVDs per month with planned investments in partial automation.

We use commercially available software programs and invest in the development of proprietary software programs to manage the fulfillment of individual orders and the integration of the Web site interface, transaction processing systems, fulfillment operations, inventory levels and customer service.

Supplier Relationships

We purchase DVDs from various suppliers based on a combination of factors including favorable credit terms, cost and depth of inventory. We typically receive next business day delivery for all DVD new release and catalog titles, with the exception of titles placed on moratorium by the releasing studio. Ingram Entertainment, Inc. and Amplified.com, Inc. are our two largest suppliers and accounted for approximately 49% and 33%, respectively, of our DVD purchases in 1999. Historically, we have not purchased DVDs directly from major or independent film studios, nor have we entered into any revenue sharing agreements with such parties, although we continue to examine such relationships and engage in revenue sharing discussions with major studios from time to time. Currently, we do not have long-term written supply agreements with any studio or other supplier.

Technology

We have implemented a broad array of Web site management, search, customer interaction, transaction-processing and fulfillment services and systems using a combination of our own proprietary technologies and commercially available, licensed technologies. Our current strategy is to focus our development efforts on creating and enhancing the specialized, proprietary software that is unique to our business and to license commercially available technology whenever possible.

Our CineMatch technology, which powers our Personal Movie Finder service, contains a proprietary set of algorithms to compare a user's movie preferences with the preferences contained in our database. This collaborative filtering technology allows us to provide customized recommendations that are unique to each user.

We use a customized set of applications for managing customer DVD requests, shipment on a timely basis and the subsequent processing of the customer's DVD return. These

applications also manage the process of accepting, authorizing and charging customer credit cards. In addition, our systems allow us to maintain ongoing automated e-mail communications with customers throughout the ordering process at a negligible incremental cost. These systems fully automate many routine communications, facilitate management of customer e-mail inquiries and allow customers to, on a self-service basis, check order status, change their e-mail address or password and check subscriptions to personal notification services. Our Web site also incorporates a variety of search and database tools. In addition, our transaction processing systems are fully integrated with the remainder of our accounting and financial systems.

A group of systems administrators and network managers monitor and operate our Web site, network operations and transaction processing systems. The uninterrupted operation of our Web site and transaction processing systems is essential to our business, and it is the job of the Web site operations staff to ensure, to the greatest extent possible, the reliability of our Web site and transaction processing systems. We use the services of Exodus Communications, Inc. to obtain connectivity to the Internet over multiple dedicated T1 lines and to physically house our servers. Exodus has custom designed facilities that offer redundant power, security, connectivity and environmental controls.

Competition

The market for our services is intensely competitive and subject to rapid change. Barriers to entry are relatively low, and current and new competitors can launch new Web sites at a relatively low cost. Although we believe no company currently offers the combination and quality of services we offer, our principal competitors include, or could include:

. traditional movie rental chains, such as Blockbuster Video and Hollywood Video;

. online local delivery services, such as Kozmo.com;

. online entertainment sites, such as E! Online and Yahoo! Movies;

. online movie review and opinion sites, such as epinions.com and Amazon.com's IMDB.com;

. online movie theater ticket sellers, such as AOL's MovieFone and Hollywood.com;

. online movie retailers, such as Amazon.com and Reel.com;

. traditional movie retail stores, such as Tower Video and Wal-Mart; and

. video streaming companies, such as RealNetworks, iFilm.com and AtomFilms.com.

We believe that the principal competitive factors in our market are:

. brand recognition;

. Web site content, including the ability to recommend movies;

. product selection, availability and cost;

. reliable and timely fulfillment;

. ease of use;

. customer service; and

. price.

We believe that we compete favorably with respect to these factors. However, many of our current and potential competitors have longer operating histories, larger customer bases,

significantly greater brand recognition and significantly greater financial, marketing and other resources than we do. Some of our competitors have adopted, and may continue to adopt, aggressive pricing policies and devote substantially more resources to Web site and systems development than we do. Increased competition may adversely impact our operating margins, market share and brand recognition. In addition, our competitors may form strategic alliances with suppliers and movie production studios which could adversely affect our ability to obtain products on favorable terms. We may be unable to compete successfully against current or future competitors.

Intellectual Property

We use a combination of trademark, copyright and trade secret laws and confidentiality agreements to protect our proprietary technology. We have applied for several trademarks. Our pending trademark applications may not be allowed. Even if these applications are allowed, these trademarks may not provide us a competitive advantage. Competitors may challenge successfully the validity and scope of our trademarks.

From time to time, we may encounter disputes over rights and obligations concerning intellectual property. We believe that our products do not infringe the intellectual property rights of third parties. However, we cannot assure you that we will prevail in all intellectual property disputes.

Employees

As of December 31, 1999, we had 270 full-time employees. We utilize part- time and temporary employees to respond to fluctuating market demand for DVD shipments. Our employees are not covered by a collective bargaining agreement, and we consider our relations with our employees to be good.

Facilities

Our executive offices are located in Los Gatos, California, where we lease approximately 12,000 square feet under a lease which expires in January 2001. We anticipate that we will have to relocate our headquarters within the next twelve months. We also lease approximately 58,000 square feet of space in San Jose, California, where we maintain our customer service, IT operations, and fulfillment operations center under a lease which expires in October 2004. We are exploring opening additional operations centers, possibly outside the state of California.

Legal Proceedings

From time to time, we may become involved in litigation relating to clams arising from our ordinary course of business. We believe there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information with respect to our executive officers and directors as of March 31, 2000.

Name	Age	Position
Reed Hastings	39	Chief Executive Officer, President and Chairman of the Board
Marc B. Randolph	41	Executive Producer and Director
Thomas R. Dillon	56	Vice President of Operations
Neil Hunt	38	Vice President of Internet Engineering
Leslie J. Kilgore	34	Vice President of Marketing
J. Mitchell Lowe	47	Vice President of Business Development
W. Barry McCarthy, Jr.	46	Chief Financial Officer
Patty McCord	46	Vice President of Human Resources
Eric P. Meyer	35	Vice President of Database Systems
Deborah J. Pinkston	38	Vice President of Sales
Timothy M. Haley	45	Director
Jay C. Hoag	41	Director
Samir P. Master	31	Director
Michael N. Schuh	56	Director

Messrs. Hoag, Master and Schuh comprise NetFlix's audit committee. Messrs. Haley and Hoag comprise NetFlix's compensation committee.

Reed Hastings has served as our Chief Executive Officer since September 1998, our President since July 1999 and Chairman of the Board since inception. From June 1998 to June 1999, Mr. Hastings served as Chief Executive Officer of Technology Network, a political service organization for the technology industry. Mr. Hastings served as Chief Executive Officer of Pure Software, a maker of software development tools, from its inception in October 1991 until it was acquired by Rational Software Corporation, a software development company, in August 1997. Mr. Hastings holds an M.S.C.S. degree from Stanford University, and a B.A. from Bowdoin College.

Marc B. Randolph has served as our Executive Producer since October 1998, as our President and CEO from August 1997 to September 1998 and as a member of our board of directors since inception. From October 1996 to August 1997, Mr. Randolph served as Vice President of Marketing for IntegrityQA, a maker of software development tools, and its successor, Pure Atria, a developer of bug- detection, load testing and change management software tools. From February 1995 to September 1996, he served as Vice President of Marketing of Visioneer, a wholly-owned subsidiary of Primax Electronics Ltd. that develops and markets imaging products. Mr. Randolph holds a B.A. from Hamilton College.

Thomas R. Dillon has served as our Vice President of Operations since April 1999. From January 1998 to April 1999, Mr. Dillon served as Chief Information Officer at Candescent Technologies Corp., a manufacturer of flat panel displays. From May 1987 to December 1997, he served as Chief Information Officer of Seagate Technology, a maker of computer peripherals. Mr. Dillon holds a B.S. from the University of Colorado.

Neil Hunt has served as our Vice President of Internet Engineering since January 1999. Prior to joining NetFlix, Mr. Hunt served as a Director of Engineering of Rational Software Corporation from August 1997 to January 1999, and in various engineering roles for its predecessor, Pure Software from April 1992 to August 1997. Mr. Hunt holds a B.S. from the University of Durham, U.K. and a Ph.D. from the University of Aberdeen, U.K.

Leslie J. Kilgore has served as our Vice President of Marketing since March 2000. Prior to joining NetFlix, Ms. Kilgore served as a Director of Marketing for Amazon.com, an Internet commerce retailer, from February 1999 to March 2000. She served as a brand manager for The Procter & Gamble Company, a manufacturer and marketer of consumer products, from August 1992 to February 1999. Ms. Kilgore has a B.S. from The Wharton School of Business at the University of Pennsylvania and an M.B.A. from the Stanford University Graduate School of Business.

J. Mitchell Lowe has served as our Vice President of Business Development since February 1998 and was a consultant to NetFlix from October 1997 to February 1998. Mr. Lowe is a founder of and has served as Chief Executive Officer and director of Interaction, Inc., a video rental chain, from January 1984 to the present. Mr. Lowe served on the Board of Directors of the Video Software Dealers Association from 1991 to 1998 and as its Chairman of the Board from 1996 to 1997.

W. Barry McCarthy, Jr. has served as our Chief Financial Officer since April 1999. From January 1993 to December 1999, Mr. McCarthy was Senior Vice President and Chief Financial Officer of Music Choice, a music programming service distributed over direct broadcast satellite and cable systems. From June 1990 to December 1992, Mr. McCarthy was Managing Partner of BMP Partners, a financial consulting and advisory firm. From 1982 to 1990, Mr. McCarthy was an Associate, Vice President and Director with Credit Suisse First Boston, an investment banking firm. Mr. McCarthy holds an M.B.A. from The Wharton School of Business at the University of Pennsylvania and a B.A. from Williams College.

Patricia J. McCord has served as our Vice President of Human Resources since November 1998. Prior to joining NetFlix, as a principal of Patty McCord Consulting, Ms. McCord served as a consultant to various startups from January 1998 to November 1998. From June 1994 to July 1997, Ms. McCord served as Director of Human Resources at Rational Software Corporation, a software development company. Ms. McCord attended Sonoma State College.

Eric P. Meyer has served as our Vice President of Database Systems since January 1999, our Vice President of Engineering from April 1998 to January 1999, and our Director of Engineering from October 1997 to March 1998. Prior to joining NetFlix, Mr. Meyer served as Senior Manager in the Strategic Services practice of KPMG from August 1995 to September 1997. From January 1993 to July 1995, Mr. Meyer served as Chief Information Officer of Harry's Farmers Market. Mr. Meyer holds an M.S.C.S. degree from Brown University and a B.S. degree from Purdue University.

Deborah J. Pinkston has served as our Vice President of Sales since February 2000. Prior to joining NetFlix, Ms. Pinkston served as Vice President of Advertising Sales for Egghead.com, a software retailer, from March 1998 to February 2000. From October 1996 to March 1998, Ms. Pinkston served as Director of Advertising Sales for Hearme Inc., an operator and licensor of real-time Internet communication tools, and from September 1995 to August 1996, Ms. Pinkston served as Director of Marketing Services for Accolade, Inc., a video game developer and publisher. From October 1991 to February 1995, Ms. Pinkston served as Manager, Contract Negotiations and Professional Relations at Syntax Laboratories Inc. Ms. Pinkston holds a B.A. from the University of California at Los Angeles and an M.B.A. from the University of Southern California.

Timothy M. Haley has served as one of our directors since June 1998. Mr. Haley is a co-founder of Redpoint Ventures, a venture capital firm, and has been a Managing Director of the firm since November 1999. Mr. Haley has been a Managing Director of Institutional Venture Partners, a venture capital firm, since February 1998. Prior to joining Institutional Venture

Partners, from June 1986 to February 1998, Mr. Haley was the President of Haley Associates, an executive recruiting firm in the high technology industry. Mr. Haley currently serves on the Board of Directors of ABRA, Inc., HelloBrain.com, Homestead.com, Octopus.com, Reflect.com and ThemeStream. Mr. Haley received his B.A. from Santa Clara University.

Jay C. Hoag has served as one of our directors since June 1999. Since June 1995, Mr. Hoag has been a General Partner at Technology Crossover Ventures, a venture capital firm. From 1982 to 1994, Mr. Hoag served in a variety of capacities at Chancellor Capital Management. Mr. Hoag currently serves on the board of directors of Autoweb.com, a consumer automotive internet service, eLoyalty, a customer loyalty solutions company, iVillage, Inc., a leading online women's network, ONYX Software Corporation, a software company, and several private companies. Mr. Hoag holds a B.A. in economics and political science from Northwestern University and an M.B.A. from the University of Michigan.

Samir P. Master has served as one of our directors since October 1999. Since June 1999, Dr. Master has served as a Senior Partner of Europ@web B.V., a global Internet investment group. From December 1996 to December 1998, Dr. Master was a Managing Director at Comdisco Ventures, a debt and equity venture capital fund based in Menlo Park, California. From February 1996 to November 1996, he was a strategy consultant with the Managed Care practice of PriceWaterhouse, LLC. He currently also serves on the board of directors of Mercata.com, and HealthAllies.com. Dr. Master holds a B.S.M. from Northwestern University in Evanston, Illinois, an M.D. from Northwestern Medical School and an M.B.A. from the J.L. Kellogg Graduate School of Management at Northwestern University.

Michael N. Schuh has served as one of our directors since February 1999. From August 1998 to the present, Mr. Schuh has served as a member of Foundation Capital Management II, a venture capital firm. Prior to joining Foundation Capital, Mr. Schuh was a founder and Chief Executive Officer of Intrinsa Corporation, a supplier of productivity solutions for software development organizations from 1995 to 1998. Mr. Schuh served as Vice President of Sales at Clarify, Inc., a customer relationship software maker, from 1994 to 1995. Mr. Schuh is currently the Chairman of the Board of Intrinsa Corporation, and a member of the board of directors of several private companies. Mr. Schuh holds a B.S.E.E. from the University of Maryland.

Classified Board

Our certificate of incorporation provides for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. As a result, a portion of our board of directors will be elected each year. To implement the classified structure, prior to the consummation of the offering, two of the nominees to the board will be elected to one-year terms, two will be elected to two-year terms and two will be elected to three-year terms. Thereafter, directors will be elected for three- year terms. Messrs. Randolph and Master and have been designated Class I directors whose term expires at the 2001 annual meeting of stockholders. Messrs. Schuh and Haley have been designated Class II directors whose term expires at the 2002 annual meeting of stockholders. Messrs. Hastings and Hoag have been designated Class III directors whose term expires at the 2003 annual meeting of stockholders. For more information on the classified board, see the section entitled "Description of Capital Stock--Delaware Antitakeover Law and Certain Charter and Bylaw Provisions."

Executive officers are appointed by the board of directors on an annual basis and serve until their successors have been duly elected and qualified. There are no family relationships among any of our directors, officers or key employees.

Board Committees

We established an audit committee and compensation committee in March 2000.

Our audit committee consists of Messrs. Hoag, Master and Schuh. The audit committee reviews the internal accounting procedures of NetFlix and consults with and reviews the services provided by our independent accountants.

Our compensation committee consists of Messrs. Haley and Hoag. The compensation committee reviews and recommends to the board of directors the compensation and benefits of employees of NetFlix.

Compensation Committee Interlocks and Insider Participation

Prior to establishing the compensation committee, the board of directors as a whole performed the functions delegated to the compensation committee. No member of the board of directors or the compensation committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Director Compensation

Directors do not currently receive any cash or equity compensation from us for their service as members of the board of directors.

Executive Compensation

The table below summarizes the compensation earned for services rendered to NetFlix in all capacities for the fiscal year ended December 31, 1999 by our Chief Executive Officer and our four next most highly compensated executive officers who earned more than $100,000 during the fiscal year ended December 31, 1999 and for one individual who would have been one of the most highly compensated but for the fact that such individual was not serving as an executive officer as of December 31, 1999. These executives are referred to as the Named Executive Officers elsewhere in this prospectus.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Positions	Year	Salary	Bonus	Securities Underlying Options	All Other Compensation
Reed Hastings..... Chief Executive Officer, President, Chairman of the Board	1999	$ 12,698	$ --	--	$ 252
Neil Hunt..... Vice President of Internet Engineering	1999	131,321	--	210,000	252
Omer Malchin..... Former Vice Present of Marketing (1)	1999	152,512	--	--	50,108(2)
W. Barry McCarthy, Jr..... Chief Financial Officer	1999	129,702	--	330,000	189
Eric P. Meyer..... Vice President of Database Systems	1999	143,514	--	25,000	252
Marc B. Randolph..... Executive Producer and Director	1999	156,025	--	--	252

(1) Mr. Malchin's employment with NetFlix ended on September 13, 1999.
(2) Includes a $50,000 severance payment paid to Mr. Malchin.

Option Grants During Last Fiscal Year

The following table sets forth certain information with respect to stock options granted to each of the Named Executive Officers in the fiscal year ended December 31, 1999, including the potential realizable value over the ten- year term of the options, based on assumed rates of stock appreciation of 5% and 10%, compounded annually. These assumed rates of appreciation comply with the rules of the Securities and Exchange Commission and do not represent our estimate of future stock price. Actual gains, if any, on stock option exercises will be dependent on the future performance of our common stock.

In 1999, we granted options to purchase up to an aggregate of 1,900,116 shares to employees, directors and consultants. All options were granted under our 1997 Stock Plan at exercise prices at or above the fair market value of our common stock on the date of grant, as determined in good faith by the board of directors. All options have a term of ten years. Optionees may pay the exercise price by cash, check, promissory note or delivery of already-owned shares of our common stock. All options are immediately exercisable upon grant; however, any unvested shares are subject to repurchase by us at their cost in the event of the optionee's termination of employment for any reason (including death or disability). All option shares vest over four years, with 25% of the option shares vesting on the date one year after the vesting commencement date, and 1/48th of the remaining option shares vesting each month thereafter.

	Individual Grants					
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees In Last Fiscal Year	Exercise Price per share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5%	10%
Name						
Reed Hastings.....	--	-- %	$ --	--	$ --	$ --
Neil Hunt.....	210,000	11.1	0.11	01/25/09	38,046	62,533
Omer Malchin.....	--	--	--	--	--	--
W. Barry McCarthy, Jr...	330,000	17.4	1.00	04/14/09	477,633	785,042
Eric P. Meyer.....	25,000	1.3	0.11	01/29/09	4,529	7,444
Marc B. Randolph.....	--	--	--	--	--	--

Aggregate Option Exercises During the Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information with respect to the Named Executive Officers concerning option exercises for the fiscal year ended December 31, 1999, and exercisable and unexercisable options held as of December 31, 1999.

The "Value of Unexercised In-the-Money Options at December 31, 1999" is based on a value of $2.00 per share, the fair market value of our common stock as of December 31, 1999, as determined by the board of directors, less the per share exercise price multiplied by the number of shares issued upon exercise of the option. All options were granted under our 1997 Stock Plan. All options are immediately exercisable; however, as a condition of exercise, the optionee must enter into a stock restriction agreement granting us the right to repurchase the unvested shares issuable by such exercise at their cost in the event of the optionee's termination of employment. The shares vest over four years, with 25% of the shares vesting on the first anniversary of the date of grant and the remaining shares vesting ratably each month thereafter.

			Number of Securities Underlying Unexercised Options at December 31, 1999		Value of Unexercised In-the-Money Options at December 31, 1999	
Name	Shares Acquired on Exercise	Value Realized	Unexercisable	Exercisable	Unexercisable	Exercisable
Reed Hastings	1,550,000	$ --	--	--	$ --	$--
Neil Hunt	210,000	--	--	--	--	--
Omer Malchin	106,250(1)	--	--	--	--	--
W. Barry McCarthy, Jr.	--	--	330,000	--	330,000	--
Eric P. Meyer	325,000	18,000	--	--	--	--
Marc B. Randolph	--	--	--	--	--	--

(1) Does not include 318,750 shares of common stock acquired on exercise by Mr. Malchin and repurchased by us at cost upon Mr. Malchin's termination.

Compensation Plans

Amended and Restated 1997 Stock Plan

Our amended and restated 1997 Stock Plan provides for the grant of incentive stock options to our employees, including our officers and employee directors, and for the grant of nonstatutory stock options and stock purchase rights to our employees, directors and consultants. This 1997 Stock Plan was adopted by our board of directors in 1997 and was amended and restated in March 2000.

A total of 6,952,250 shares of our common stock have been reserved for issuance under our amended and restated 1997 Stock Plan. In addition, annual increases will be added beginning in January 2001, equal to the lesser of 1,550,000 shares, 5% of our then outstanding shares, or an amount determined by our board of directors. As of April 13, 2000, options were exercised to purchase 3,521,174 shares of currently outstanding common stock, options to purchase 2,543,097 shares of common stock were outstanding and 887,979 shares were available for future grant.

Administration. Our board of directors or a committee of our board of directors administers the amended and restated 1997 Stock Plan. The administrator has the power to determine, among other things:

. the terms of the options or stock purchase rights granted, including the exercise price of the option or stock purchase right;

. the number of shares subject to each option or stock purchase right;

. the exercisability of each option or stock purchase right; and

. the form of consideration payable upon the exercise of each option or stock purchase right.

Options. The administrator determines the exercise price of options granted under the amended and restated 1997 Stock Plan, but with respect to all incentive stock options and nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code, the exercise price must at least equal the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed ten years, except that with respect to any participant who owns 10% of the voting power of all classes of our outstanding capital stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator determines the term of all other options.

No optionee may be granted an option to purchase more than 1,500,000 shares in any fiscal year. In connection with his or her initial service, an optionee may be granted an additional option to purchase up to 500,000 shares.

After termination of employment, a participant may exercise his or her option for the period of time stated in the option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for 3 months. However, an option may never be exercised later than the expiration of its term.

Stock Purchase Rights. The administrator determines the exercise price of stock purchase rights granted under our amended and restated 1997 Stock Plan. Unless the administrator determines otherwise, the restricted stock purchase agreement will grant us a repurchase option that we may exercise upon the voluntary or involuntary termination of the purchaser's service with us for any reason (including death or disability). The purchase price for shares we repurchase will generally be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to us. The administrator determines the rate at which our repurchase option will lapse.

Transferability of Options and Stock Purchase Rights. Our amended and restated 1997 Stock Plan generally does not allow for the transfer of options or stock purchase rights and only the optionee may exercise an option or stock purchase right during his or her lifetime.

Adjustments upon Merger or Asset Sale. Our amended and restated 1997 Stock Plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation will assume or substitute an equivalent option or right for each outstanding option or stock purchase right.

If there is no assumption or substitution of outstanding options or stock purchase rights, the administrator will provide notice to the optionee that he or she has the right to exercise the option or stock purchase right as to all of the shares subject to the option or stock purchase right, including shares which would not otherwise be exercisable, for a period of 15 days from the date of the notice. The option or stock purchase right will terminate upon the expiration of the 15-day period.

In addition, if, within twelve months of a merger or sale of assets, a holder of an option under our amended and restated 1997 Stock Plan is terminated involuntarily other than for

cause, the vesting schedule for such holder's option will accelerate with respect to an amount of shares equal to the number of shares that would otherwise vest over the following twelve months.

Amendment and Termination of the Amended and Restated 1997 Stock Plan. Our amended and restated 1997 Stock Plan will automatically terminate in April 2010, unless we terminate it sooner. In addition, our board of directors has the authority to amend, suspend or terminate the amended and restated 1997 Stock Plan provided it does not adversely affect any previously granted option or stock purchase right or any previously issued shares of common stock.

2000 Employee Stock Purchase Plan

Our 2000 Employee Stock Purchase Plan was adopted by our board of directors in April 2000. A total of 550,000 shares of our common stock have been reserved for issuance, plus annual increases beginning in January 2001 equal to the lesser of 350,000 shares, 1% of the outstanding shares on such date, or an amount determined by our board of directors. As of the date of this prospectus, no shares have been issued under our 2000 Employee Stock Purchase Plan.

Structure of the 2000 Employee Stock Purchase Plan. Our 2000 Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code and contains consecutive, overlapping 24-month offering periods. Each offering period includes four 6-month purchase periods. The offering periods generally start on the first trading day on or after April 15 and October 15 of each year and terminate on the first trading day on or after the April 15 or October 15 offering period commencement date 24 months later, except for the first such offering period which will commence on the first trading day on or after the effective date of this offering and will end on the first trading day on or after October 15, 2002.

Eligibility. All of our employees are eligible to participate if they are customarily employed by us or any participating subsidiary for at least 20 hours per week and more than five months in any calendar year. However, an employee may not be granted an option to purchase stock under the 2000 Employee Stock Purchase Plan if such employee:

. immediately after grant owns stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock, or

. has rights to purchase stock under all of our employee stock purchase plans accruing at a rate that exceeds $25,000 worth of stock for each calendar year.

Purchases. Our 2000 Employee Stock Purchase Plan permits participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation which includes a participant's base straight time gross earnings and commissions, but excludes overtime pay, shift premium, incentive compensation, incentive payments, bonuses and other compensation. A participant may purchase a maximum of 1,300 shares during a 6-month purchase period.

Amounts deducted and accumulated by the participant are used to purchase shares of our common stock at the end of each six-month purchase period. The purchase price is 85% of the fair market value of our common stock either:

. at the beginning of an offering period, or

. at the end of a purchase period, whichever is lower.

If the fair market value at the end of a purchase period is less than the fair market value at the beginning of the offering period, participants will be withdrawn from the current offering period following their purchase of shares on the purchase date and will be automatically re-enrolled in the immediately following offering period. Participants may end their participation at any time during an offering period, and will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with us.

Transferability of Rights. A participant may not transfer rights granted under our 2000 Employee Stock Purchase Plan other than by will, the laws of descent and distribution or as otherwise provided under the 2000 Employee Stock Purchase Plan.

Merger or Asset Sale. In the event of our merger with or into another corporation or a sale of all or substantially all of our assets, a successor corporation will assume or substitute each outstanding option. If the successor corporation refuses to assume or substitute for the outstanding options, the offering period then in progress will be shortened, a new exercise date will be set before the date at the proposed sale or merger and the participant's options shall be exercised automatically on the new exercise date.

Amendment and Termination of our 2000 Employee Stock Purchase Plan. Our board of directors has the authority to amend or terminate our 2000 Employee Stock Purchase Plan, except that no such action may adversely affect any outstanding rights to purchase stock under our 2000 Employee Stock Purchase Plan.

401(k) Retirement Plan

On January 1, 1998, we adopted the NetFlix 401(k) Retirement Plan which covers all of our eligible employees who have attained the age of 21 and have completed one month of service with us. The 401(k) Plan currently excludes from participation employees of affiliated employers, collectively bargained employees and nonresident alien employees. The 401(k) Plan is intended to qualify under Sections 401(a), 401(m) and 401(k) of the Internal Revenue Code and the 401(k) Plan trust is intended to qualify under Section 501(a) of the Internal Revenue Code. All contributions to the 401(k) Plan by eligible employees, and the investment earnings thereon, are not taxable to such employees until withdrawn and are 100% vested immediately. Our eligible employees may elect to reduce their current compensation up to the maximum statutorily prescribed annual limit, and to have such salary reductions contributed on their behalf to the 401(k) Plan.

Employment Agreements and Change in Control Arrangements

In October 1997, Reed Hastings purchased 500,000 shares of our common stock under a founder's restricted stock purchase agreement. This agreement contains vesting provisions that give us the option to repurchase unvested shares at the original purchase price if Mr. Hastings' service with us is terminated. Each month, 1/48 of the total shares purchased by Mr. Hastings becomes vested. All of Mr. Hastings' shares will be fully vested on October 20, 2001, subject to Mr. Hastings continuing to be our employee through that date. Under an amendment to this agreement entered into in June 1998, upon a change of control of NetFlix, 50% of his shares that have not yet vested will vest and will no longer be subject to repurchase by us. In addition, if Mr. Hastings' employment with the surviving corporation is terminated without cause within twelve months following the change of control, then all of his shares that have not yet vested will vest and will no longer be subject to repurchase.

In October 1997, Marc B. Randolph purchased 2,700,000 shares of our common stock under a founder's restricted stock purchase agreement. This agreement contains vesting

provisions that give us the option to repurchase unvested shares at the original purchase price if Mr. Randolph's service to us is terminated. Under an amendment to this agreement entered into in June 1998, upon a change of control of NetFlix, 50% of his shares that have not yet vested will vest and will no longer be subject to repurchase by us. In addition, if Mr. Randolph's employment with the surviving corporation is terminated without cause within twelve months following the change of control, then all of his shares that have not yet vested will vest and will no longer be subject to repurchase. Under an agreement entered into in October 1998, in connection with his resignation as our chief executive officer, Mr. Randolph returned 650,000 of his unvested shares to us. Immediately following this contribution, Mr. Randolph held 675,000 vested and 1,375,000 unvested shares of common stock of NetFlix. Each month, 1/36 of the unvested shares held by Mr. Randolph following this contribution of shares to the company becomes vested. All of Mr. Randolph's shares will be fully vested on October 8, 2001, subject to Mr. Randolph continuing to be our employee through that date.

In April 1999, our board of directors awarded W. Barry McCarthy, Jr. an option to purchase 330,000 shares of our common stock under a stock option agreement. One-quarter of the shares underlying Mr. McCarthy's options will vest in April 2000, and 1/48 of the total shares will vest each month thereafter. Pursuant to an offer letter from us to Mr. McCarthy, upon a change of control of NetFlix, the vesting schedule will accelerate with respect to an amount of shares equal to the number of shares that would otherwise vest over the following twelve months or 50% of the unvested options, whichever is greater. All of the shares underlying Mr. McCarthy's option will be fully vested on April 14, 2003, subject to Mr. McCarthy continuing to be our employee through that date.

In a merger or a sale of substantially all of our assets, if the options under our amended and restated 1997 Stock Plan are not assumed or substituted for, each outstanding option will vest fully and become immediately exercisable. In addition, if, within twelve months of a merger or sale of assets, a holder of an option under our amended and restated 1997 Stock Plan is terminated involuntarily other than for cause, the vesting schedule for such holder's option will accelerate with respect to an amount of shares equal to the number of shares that would otherwise vest over the following twelve months.

Limitations on Directors' Liability and Indemnification

Our certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for any of the following:

. any breach of their duty of loyalty to the corporation or its stockholders;

. acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

. unlawful payments of dividends or unlawful stock repurchases or redemptions; or

. any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws provide that we shall indemnify our directors and executive officers and may indemnify our other officers and employees and other agents to the fullest extent permitted by law. We believe that indemnification under our bylaws

covers at least negligence and gross negligence on the part of indemnified parties. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the bylaws would permit indemnification.

We will enter into agreements to indemnify our directors and executive officers, in addition to indemnification provided for in our bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for expenses, judgments, fines and settlement amounts incurred by any such person in any action or proceeding arising out of such person's services as a director or executive officer or at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Preferred Stock Sales

Series E Non-Voting Preferred Stock. In April 2000, we sold shares of Series E Non-Voting Preferred Stock, at a purchase price of $9.38 per share, and sold warrants to acquire Series E Non-Voting Preferred Stock, at a purchase price of $0.01 per warrant, to raise capital to finance our operations. The warrants have an exercise price of $14.07 per share. If we sell shares in this offering below a certain price, holders of our Series E Non-Voting Preferred Stock will receive additional shares of our common stock. The following 5% stockholders and certain family members of our officers purchased shares and warrants in that financing:

Purchaser	Number of Shares	Warrants to Purchase Shares	Aggregate Consideration
Entities affiliated with Technology Crossover Ventures	4,359,876	435,988	$40,899,996
Entities affiliated with Foundation Capital	319,829	31,983	3,000,316
Entities affiliated with Institutional Venture Partners	319,829	31,983	3,000,316
Europ@web B.V.	319,829	31,983	3,000,316
Muriel Randolph	5,330	533	50,001
Randolph Randolph	5,330	533	50,001

Europ@web B.V. is a holder of more than 5% of our stock. Samir P. Master, one of our directors, is a Senior Partner of Europ@web B.V. Entities affiliated with Technology Crossover Ventures hold more than 5% of our stock in the aggregate. Jay Hoag, one of our directors, is a General Partner of Technology Crossover Ventures. Entities affiliated with Foundation Capital hold more than 5% of our stock in the aggregate. Michael N. Schuh, one of our directors, is a member of Foundation Capital Management II. Entities and persons affiliated with Institutional Venture Partners hold more than 5% of our stock in the aggregate. Timothy M. Haley, one of our directors, is a Managing Director of Institutional Venture Partners. Muriel Randolph is the mother, and Randolph Randolph is the brother, of Marc B. Randolph, a director and the Executive Producer of NetFlix.

Series D Preferred Stock. In June 1999, we sold shares of Series D Preferred Stock, at a purchase price of $6.52 per share, to raise capital to finance our operations. The following 5% stockholders purchased shares in that financing:

Purchaser	Number of Shares	Aggregate Consideration
Europ@web B.V.	4,081,118	$26,608,889
Entities affiliated with Technology Crossover Ventures	366,735	2,391,112
Entities affiliated with Foundation Capital	153,374	999,998

Series C Preferred Stock. In February 1999, we sold shares of Series C Preferred Stock, at a purchase price of $3.27 per share, to raise capital to finance our operations. The following officers, 5% stockholders and certain of their family members purchased shares in that financing:

Purchaser	Number of Shares	Aggregate Consideration
Entities affiliated with Technology Crossover Ventures	1,834,862	$5,999,999
Entities affiliated with Foundation Capital	1,834,863	6,000,002
Entities affiliated with Institutional Venture Partners	611,621	2,000,001
Reed Hastings	234,557	767,001
Muriel Randolph	22,936	75,001
Hastings 1996 Irrevocable Trust	9,174	29,999
Wil Hastings	9,174	29,999
Joan Hastings	5,505	18,001

Mr. Hastings currently serves as our Chief Executive Officer and chairman of the board of directors. Wil Hastings is the father and Joan Hastings is the mother of Reed Hastings. Wil and Joan Hastings are the trustees of the Hastings 1996 Irrevocable Trust.

Series B Preferred Stock. In June 1998, we sold shares of Series B Preferred Stock, at a purchase price of $1.08 per share, except as described below, to raise capital to finance our operations. The following officers, 5% stockholders and their respective family members purchased shares in that financing:

Purchaser	Number of Shares	Aggregate Consideration
Entities affiliated with Institutional Venture Partners	3,703,703	$3,999,999.24
Reed Hastings	1,655,092	1,674,999.48(1)
Joan Hastings	46,296	50,000
Muriel Randolph	23,148	25,000

(1) 798,611 shares were purchased pursuant to the conversion of a convertible promissory note at a price of $0.939 per share.

Series A Preferred Stock. In October 1997 and January 1998, we sold shares of Series A Preferred Stock, at a purchase price of $0.50 per share, to raise capital to finance our operations. The following officers, 5% stockholders and their respective family members purchased shares in that financing:

Purchaser	Number of Shares	Aggregate Consideration
Reed Hastings	3,800,000	$1,900,000
Muriel Randolph	50,000	25,000

Common Stock Sales

In connection with our sale of Series C preferred stock in February 1999, we entered into a letter agreement with Technology Crossover Ventures, Institutional Venture Partners and Foundation Capital, and in connection with our sale of Series D preferred stock in June 1999, we entered into an amendment to that letter agreement to add Europ@web as a party. Under this agreement, as amended, we have agreed to require the managing underwriters in this offering to offer up to 10% of the shares in this offering to these Series C and Series D preferred stockholders, subject to compliance with applicable law.

See "Employment Agreements and Change in Control Agreements."

PRINCIPAL STOCKHOLDERS

The table on the following page sets forth information regarding the beneficial ownership of our common stock as of April 13, 2000, by the following individuals or groups:

. each person or entity who is known by us to own beneficially more than 5% of our outstanding stock

. each of the Named Executive Officers

. each of our directors; and

. all of our directors and executive officers as a group

Unless otherwise indicated, the address for each stockholder listed in the following table is c/o NetFlix.com, Inc., 750 University Avenue, Los Gatos, CA 95032. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them.

Applicable percentage ownership in the following table is based on 31,105,451 shares of common stock outstanding as of April 13, 2000, as adjusted to reflect the conversion of all outstanding shares of preferred stock upon the closing of this offering.

To the extent that any shares are issued upon exercise of options, warrants or other rights to acquire our capital stock that are presently outstanding or granted in the future or reserved for future issuance under our stock plans, there will be further dilution to new public investors.

Principal Stockholders Table

Name and Address	Number of Shares Beneficially Owned	Percent of Shares Outstanding Before Offering	Percent of Shares Outstanding After Offering
Entities affiliated with Technology Crossover Ventures(1) 575 High Street, Suite 400 Palo Alto, CA 94301	6,997,461	22.5%	
Entities affiliated with Institutional Venture Partners(2) 3000 Sand Hill Road Building 2, Suite 290 Menlo Park, CA 94025	4,620,840	14.9	
Europ@web B.V.(3) Locatellikade 1 Parnassustoren 1076 AZ Amsterdam The Netherlands	4,432,930	14.3	
Entities affiliated with Foundation Capital(4) 70 Willow Road, Suite 200 Menlo Park, CA 94025	2,340,049	7.5	
Reed Hastings	7,577,572	24.4	
Marc B. Randolph(5)	2,042,500	6.6	
Omer Malchin	106,250	*	
W. Barry McCarthy, Jr.(6)	89,375	*	
Neil Hunt	210,000	*	
Eric P. Meyer	325,000	1.0	
Samir P. Master(7)	4,432,930	14.3	
Michael N. Schuh(8)	2,340,049	7.5	
Jay C. Hoag(9)	6,997,461	22.5	
Timothy M. Haley(10)	4,620,840	14.9	
All directors and executive officers as a group (14 persons) (11)	28,970,519	92.6	

* Less than 1% of our outstanding shares of common stock.

(1) Consists of 36,689 shares held by TCV II, V.O.F., 1,129,410 shares held by Technology Crossover Ventures II, L.P., 868,307 shares held by TCV II (Q), L.P., 154,093 shares held by TCV II Strategic Partners, L.P. and 172,439 shares held by Technology Crossover Ventures II, C.V. (the foregoing five entities, collectively, the "TCV II Funds"); 4,519,265 shares held by TCV IV, L.P. (the "TCV IV Fund") and 117,258 shares held by the TCV Franchise Fund, L.P. (the "Franchise Fund") (together the TCV II Funds, TCV IV Fund and the Franchise Fund are the "TCV Funds") which includes an aggregate of 435,988 shares issuable upon exercise of warrants held by the TCV Funds. Mr. Hoag, one of our directors, is a Managing Member of Technology Crossover Management II, L.L.C. which is the General Partner of each of the TCV II Funds, a Managing Member of Technology Crossover Management IV, L.L.C. which is the General Partner of the TCV IV

Fund and a Managing Member of TCVF Management, L.L.C. which is the General Partner of the Franchise Fund. Mr. Hoag disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(2) Includes 4,482,331 shares and 31,391 shares issuable upon exercise of warrants held by Institutional Venture Partners VIII, L.P., 53,494 shares and 592 shares issuable upon exercise of warrants held by IVM Investment Fund VIII, L.L.C., 16,458 shares held by IVM Investment Fund VIII-A, LLC and 36,574 shares held by IVP Founders Fund I, L.P.

(3) Includes 31,938 shares issuable upon exercise of warrants.

(4) Includes 1,961,859 shares and 27,186 shares issuable upon exercise of warrants held by Foundation Capital II, L.P., 230,806 shares and 3,198 shares issuable upon exercise of warrants held by Foundation Capital II Entrepreneurs Fund, L.L.C. and 115,401 shares and 1,599 shares issuable upon exercise of warrants held by Foundation Capital II Principals Fund, L.L.C.

(5) Includes 40,000 shares held by Mr. Randolph in his capacity as trustee of the Marc & Lorraine Randolph 2000 Logan B. Randolph Trust, 40,000 shares held by Mr. Randolph in his capacity as trustee of the Marc & Lorraine Randolph 2000 Morgan B. Randolph Trust, and 40,000 shares held by Mr. Randolph in his capacity as trustee of the Marc & Lorraine Randolph 2000 Hunter B. Randolph Trust. Mr. Randolph disclaims beneficial ownership of all such shares.

(6) Includes 89,375 shares issuable upon stock options exercisable within 60 days of April 13, 2000.

(7) Includes 4,400,947 shares and 31,983 shares issuable upon exercise of warrants held by Europ@web B.V. Mr. Master is a Senior Partner of Europ@web B.V. He disclaims beneficial ownership of the shares held by Europ@web B.V., except to the extent of his pecuniary interest in these shares.

(8) Includes 1,961,859 shares and 27,186 shares issuable upon exercise of warrants held by Foundation Capital II, L.P., 230,806 shares and 3,198 shares issuable upon exercise of warrants held by Foundation Capital II Entrepreneur's Fund, LLC and 115,401 shares and 1,599 shares issuable upon exercise of warrants held by Foundation Capital II Principals Fund LLC. Mr. Schuh is currently a member of Foundation Capital Management II, which is the General Partner of Foundation Capital II L.P. and the managing member of both Foundation Capital II Entrepreneur Fund L.L.C. and Foundation Capital II Principals Fund L.L.C. He disclaims beneficial ownership of the shares held by the Foundation Capital entities, except to the extent of his pecuniary interest in these shares.

(9) Includes 6,997,461 shares and shares issuable upon exercise of warrants held by entities affiliated with Technology Crossover Ventures. See note (3).

(10) Includes 4,482,331 shares and 31,391 shares issuable upon exercise of warrants held by Institutional Venture Partners VIII, L.P., 53,494 shares and 592 shares issuable upon exercise of warrants held by IVM Investment Fund VIII, L.L.C., 16,458 shares held by IVM Investment Fund VIII-A, LLC and 36,574 shares held by IVP Founders Fund I, L.P. Mr. Haley is a Managing Director of Institutional Venture Partners. He disclaims beneficial ownership of the shares held by the IVP entities, except to the extent of his pecuniary interest in these shares.

(11) Includes 184,167 shares issuable upon the exercise of stock options exercisable within 60 days of April 13, 2000.

DESCRIPTION OF CAPITAL STOCK

Authorized and Outstanding Capital Stock

Our preferred stock outstanding prior to this offering will automatically be converted into common stock upon the closing of this offering according to the terms of our certificate of incorporation. We will file an amended certificate of incorporation to be effective upon the closing of this offering that creates a new class of preferred stock. No shares of the new preferred stock will be outstanding upon completion of this offering. Upon the completion of this offering, we will be authorized to issue 200,000,000 shares of common stock, $0.001 par value, and 10,000,000 shares of undesignated preferred stock, $0.001 par value. The following description of our capital stock is subject to and qualified in its entirety by our amended certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and by the applicable provisions of Delaware law.

Common Stock

As of April 13, 2000, there were 31,105,451 shares of common stock outstanding which were held of record by approximately 108 stockholders, as adjusted for conversion of all outstanding shares of convertible preferred stock into an aggregate of 24,758,788 shares of common stock, which will occur upon the closing of this offering.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for that purpose. See "Dividend Policy." In the event of a liquidation, dissolution or winding up of us, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

The board of directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the common stock until the board of directors determines the specific rights of the holders of such preferred stock. However, the effects might include, among other things:

. restricting dividends on the common stock;

. diluting the voting power of the common stock;

. impairing the liquidation rights of the common stock; and

. delaying or preventing a change in control of NetFlix without further action by the stockholders.

Upon the completion of this offering, no shares of preferred stock will be outstanding, and we have no present plans to issue any shares of preferred stock.

Warrants

At April 13, 2000, warrants to purchase 92,592 shares of our Series B Preferred Stock and warrants to purchase 533,003 shares of our Series E Non- Voting Preferred Stock were outstanding.

Registration Rights

Following this offering, the holders of 24,679,206 shares of common stock and holders of warrants to purchase 533,003 shares of common stock are entitled to the following rights with respect to registration of such shares under the Securities Act. These rights are provided under the terms of an agreement between us and the holders of registrable securities. Beginning six months following the date of this prospectus, if holders of at least 50% of the then outstanding registrable securities request that an amount of registrable securities having a reasonably anticipated aggregate offering price to the public, before deduction of underwriter discounts and commissions, of at least $20,000,000 be registered, we may be required, on up to two occasions, to register their shares for public resale. Also, holders of registrable securities may require on four separate occasions, but no more than two within any twelve month period, that we register their shares for public resale on, if available, Form S-3 or similar short-form registration if the value of the securities to be registered is at least $2,000,000. Depending on market conditions, however, we may defer such registration for up to 90 days. Furthermore, in the event we elect to register any of our shares of common stock for purposes of effecting any public offering, the holders of the registrable securities described above are entitled to include a portion of their shares of common stock in the registration, but we may reduce the number of shares proposed to be registered in view of market conditions. We have obtained waivers of these registration rights with respect to this offering. All expenses in connection with any registration, other than underwriting discounts and commissions, will be borne by us. All registration rights will terminate five years following the consummation of this offering, or, with respect to each holder of registrable securities, at such time as the holder is entitled to sell all of its shares in any three month period under Rule 144 of the Securities Act.

Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions

Certain provisions of Delaware law and our certificate of incorporation and bylaws could make the following more difficult:

. the acquisition of NetFlix by means of a tender offer;

. acquisition of NetFlix by means of a proxy contest or otherwise; and

. the removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals, because negotiation of such proposals could result in an improvement of their terms.

Election and Removal of Directors. Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. See "Management-- Executive Officers and Directors." This system of electing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Stockholder Meetings. Under our bylaws, only the board of directors, the chairman of the board and the president may call special meetings of stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board.

Delaware Anti-Takeover Law. We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. The existence of this provision may have an anti- takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Elimination of Stockholder Action By Written Consent. Our certificate of incorporation eliminates the right of stockholders to act by written consent without a meeting.

Elimination of Cumulative Voting. Our certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors.

Undesignated Preferred Stock. The authorization of undesignated preferred stock makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of NetFlix. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of NetFlix.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is .

Nasdaq National Market Listing

We are applying for listing on the Nasdaq National Market under the symbol "NFLX."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and there can be no assurance that a significant public market for the common stock will develop or be sustained after this offering. Future sales of substantial amounts of common stock, including shares issued upon exercise of outstanding options and warrants, in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through sale of our equity securities. As described below, no shares currently outstanding will be available for sale immediately after this offering because of certain contractual restrictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding shares of common stock based upon shares outstanding as of April 13, 2000, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants after that date of this offering. Of these shares, the shares sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock held by existing stockholders are "Restricted Shares" as that term is defined in Rule 144. All such Restricted Shares are subject to lock-up agreements providing that, with certain limited exceptions, the stockholder will not offer, sell, contract to sell or otherwise dispose of any common stock or any securities that are convertible into common stock for a period of 180 days after the date of this prospectus without the prior written consent of Deutsche Bank Securities Inc. As a result of these lock-up agreements, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144, 144(k) or 701, none of these shares will be resellable until 181 days after the date of this prospectus. Beginning 181 days after the date of this prospectus, approximately 25,775,428 Restricted Shares will be eligible for sale in the public market, all of which are subject to volume limitations under Rule 144, except 598,760 shares eligible for sale under Rule 144(k) and 3,521,234 shares eligible for sale under Rule 701. An additional 5,330,023 Restricted Shares will be eligible for sale subject to volume limitations, beginning April 13, 2001. In addition, as of April 13, 2000, there were outstanding 2,543,097 options to purchase 2,543,097 shares of common stock and warrants to purchase 625,595 shares of common stock. All such options and warrants are subject to lock-up agreements. Deutsche Bank Securities Inc. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements. However, any release shall apply pro-rata to all stockholders subject to the lock-up agreements.

Rules 144 and 701

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned Restricted Shares for at least one year including the holding period of any prior owner except an affiliate of NetFlix would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

. 1% of the number of shares of common stock then outstanding which will equal to approximately shares immediately after this offering; or

. the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least

two years including the holding period of any prior owner except an affiliate of NetFlix, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701, as currently in effect, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions. Any employee, officer, director or consultant who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell such shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares. However, in this offering all Rule 701 shares are subject to lock-up agreements and will only become eligible for sale at the earlier of the expiration of the 180-day lock-up agreements or no sooner than 90 days after the offering upon obtaining the prior written consent of Deutsche Bank Securities Inc.

Stock Options

Following the effectiveness of this offering, we will file a registration statement on Form S-8 registering 7,502,250 shares of common stock subject to outstanding options or reserved for future issuance under our stock plans. As of April 13, 2000, options to purchase a total of 2,543,097 shares were outstanding and 887,979 shares were reserved for future issuance under our amended and restated 1997 Stock Plan. Common stock issued upon exercise of outstanding vested options or issued under our 2000 Employee Stock Purchase Plan, other than common stock issued to affiliates are available for immediate resale in the open market.

Registration Rights

Also beginning six months after the date of this prospectus, holders of 24,679,206 Restricted Shares and holders of warrants to purchase 533,003 shares of common stock will be entitled to certain demand registration rights for sale in the public market. See "Description of Capital Stock--Registration Rights." Registration of such shares under the Securities Act would result in such shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by demand affiliates, immediately upon the effectiveness of such registration.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. For further information with respect to us and our common stock, see the registration statement and the exhibits and schedules thereto. Any document we file may be read and copied at the Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information about the public reference rooms. Our filings with the Commission are also available to the public from the Commission's Web site at http://www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, will file periodic reports, proxy statements and other information with the Commission. Such periodic reports, proxy statements and other information will be available for inspection and copying at the Commission's public reference rooms, and the Web site of the Commission referred to above.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representatives Deutsche Bank Securities Inc., SG Cowen Securities Corporation and U.S. Bancorp Piper Jaffray Inc., have severally agreed to purchase from NetFlix.com, Inc. the following respective number of shares of our common stock at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriter	Number of Shares
Deutsche Bank Securities Inc.	
SG Cowen Securities Corporation	
U.S. Bancorp Piper Jaffray Inc.	
Total Underwriters ( )	

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares of common stock offered hereby are subject to certain conditions precedent and that the underwriters will purchase all shares of the common stock offered hereby, other than those covered by the over-allotment option described below, if any of these shares are purchased.

The underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of $ per share under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than $ per share to other dealers. After the initial public offering, representatives of the underwriters may change the offering price and other selling terms.

We have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to additional shares of common stock at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the common stock offered hereby. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of additional shares of common stock as the number of shares of common stock to be purchased by it in the above table bears to the total number of shares of common stock offered hereby. We will be obligated, pursuant to the option, to sell these additional shares of common stock to the underwriters to the extent the option is exercised. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting fee is currently expected to be approximately 7% of the initial public offering price. We have agreed

to pay the underwriters the following fees, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

		Total Fees	
		Without	With
	Per Share	Over-Allotment	Over-Allotment
Fees paid by us.....	$	$	$

In addition, we estimate that our share of the total expenses of this offering, excluding the underwriting fee, will be approximately $.

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

Holders of 96% of our stock, options and warrants to purchase stock, have agreed not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivatives of our common stock for a period of 180 days after the date of this prospectus without the prior written consent of Deutsche Bank Securities Inc. This consent may be given at any time without public notice.

At our request, the underwriters will offer 10% of the shares available for sale in this offering to certain holders of our Series C and Series D preferred stock. In addition, the underwriters have reserved for sale, at the initial offering price up to shares of common stock for employees and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares of common stock available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

In April 2000, we sold shares of our Series E Preferred Stock in a private placement at a price of $9.38 per share. Each of the shares of Series E Preferred Stock is convertible into one share of common stock upon an initial offering of our common stock with gross proceeds in excess of $20,000,000 or affirmative election of the holders of at least 75% of the outstanding shares. In this private placement, an employee of Deutsche Bank Securities Inc. purchased 2,666 shares of Series E Preferred Stock for an aggregate purchase price of $25,007. He purchased the shares on the same terms as the other investors in the private placement. Upon conversion of these shares into common stock, based upon the initial public offering price of $, the value of these shares is $. The difference between the amount that the Deutsche Bank Securities Inc. employee originally paid for the Series E Preferred Stock and the value of the Series E Preferred Stock based upon the initial public offering price is $.

The representatives of the underwriters have advised us that the underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

In order to facilitate the offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of our common stock. Specifically, the underwriters may over-allot shares of our common stock in connection with this offering, thus creating a short position in our common stock for their own account. A short position results when an underwriter sells more shares of common stock than that underwriter is committed to purchase. Additionally, to cover these over- allotments or to stabilize the market price of our common stock, the underwriters may bid for, and purchase,

shares of our common stock in the open market. Finally, the representatives, on behalf of the underwriters, may also reclaim selling concessions allowed to an underwriter or dealer if the underwriting syndicate repurchases shares distributed by that underwriter or dealer. Any of these activities may maintain the market price of our common stock at a level above that which might otherwise prevail in the open market. These transactions may be effected on the Nasdaq National Market or otherwise. The underwriters are not required to engage in these activities and, if commenced, may end any of these activities at any time.

Pricing of this Offering

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for our common stock has been determined by negotiation among us and the representatives of the underwriters. Among the primary factors considered in determining the public offering price were:

. prevailing market conditions;

. our results of operations in recent periods;

. the present stage of our development;

. the market capitalization and stage of development of other companies that we and the representatives of the underwriters believe to be comparable to our business; and

. estimates of our business potential.

The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California. As of the date of this prospectus, WS Investment Company 99A, WS Investment Company 98A and WS Investment Company 97B, investment partnerships composed of certain current and former members of and persons associated with Wilson Sonsini Goodrich & Rosati, Professional Corporation, as well as certain individual attorneys of this firm, beneficially own an aggregate of 120,755 shares of our common stock.

EXPERTS

The financial statements and schedule of NetFlix.com, Inc. as of December 31, 1998 and 1999, and for the period from August 29, 1997 (inception) to December 31, 1997 and for each of the years in the two-year period ended December 31, 1999 have been included in this prospectus in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

CHANGE IN INDEPENDENT PUBLIC ACCOUNTANTS

In November 1999, we dismissed PricewaterhouseCoopers LLP as our independent public accountants. The former independent accountants' report on our financial statements for the period from August 29, 1997 (inception) through and as December 31, 1997 and as of and for the year ended December 31, 1998 did not contain an adverse opinion, a disclaimer of opinion or any qualifications or modifications related to uncertainty, limitation of audit scope or application of accounting principles. The former independent public accountants' report does not cover any of our financial statements in this registration statement. The former independent public accountants did not issue an audit opinion on our financial statements for any other period. There were no disagreements with the former independent public accountants on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure with respect to our financial statements up through the time of dismissal that, if not resolved to the former independent public accountant's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their report. Our board of directors approved the dismissal of PricewaterhouseCoopers LLP. In February 2000, we retained KPMG LLP as our independent public accountants. The decision to retain KPMG LLP was approved by resolution of the board of directors. Prior to retaining KPMG LLP, we had not consulted with KPMG LLP regarding accounting principles.

NETFLIX.COM, INC.

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INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors and Stockholders of NetFlix.com, Inc.

We have audited the accompanying balance sheets of NetFlix.com, Inc. as of December 31, 1998 and 1999, and the related statements of operations, stockholders' deficit, and cash flows for the period from August 29, 1997 (inception) to December 31, 1997, and for each of the years in the two-year period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NetFlix.com, Inc. as of December 31, 1998 and 1999, and its results of operations and its cash flows for the period from August 29, 1997 (inception) to December 31, 1997, and for each of the years in the two-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP
Mountain View, California
April 4, 2000, except as to Note 8, which is as of
April 13, 2000

NETFLIX.COM, INC.

BALANCE SHEETS
(in thousands, except share data)

	December 31,		Pro Forma December 31, 1999
	1998	1999	(Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,061	$ 14,198	$ 14,198
Short-term investments	--	6,322	6,322
Prepaids and other current assets	635	720	720
Total current assets	1,696	21,240	21,240
Rental library, net	2,011	8,695	8,695
Property and equipment, net	1,062	4,499	4,499
Deposits and other assets	80	339	339
Total assets	$ 4,849	$ 34,773	$ 34,773
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Notes payable	$ 1,000	$ 625	$ 625
Current portion of capital lease obligations	579	571	571
Accounts payable	3,063	5,334	5,334
Accrued liabilities	1,640	3,211	3,211
Deferred revenue	118	471	471
Total current liabilities	6,400	10,212	10,212
Capital lease obligations	172	811	811
Note payable	--	3,959	3,959
Total liabilities	6,572	14,982	14,982
Commitments and contingency			
Mandatorily redeemable convertible preferred stock; 15,176,616 authorized; 5,684,024 and 14,984,220 issued and outstanding in 1998 and 1999, respectively; aggregate liquidation preference of $6,139 and $51,662 in 1998 and 1999, respectively	6,321	51,819	--
Stockholders' (deficit) equity:			
Convertible preferred stock, $0.001 par value; 5,000,000 shares authorized; 4,444,545 shares issued and outstanding in 1998 and 1999, respectively; aggregate liquidation preference of $2,222 in 1998 and 1999	4	4	--
Common stock, $0.001 par value; 31,650,000 shares authorized; 2,580,250 and 6,222,650 shares issued and outstanding in 1998 and 1999, respectively; 25,651,415 shares issued pro forma	3	7	26
Additional paid-in capital	8,100	16,087	67,891
Deferred stock-based compensation	(4,711)	(6,841)	(6,841)
Accumulated deficit	(11,440)	(41,285)	(41,285)
Total stockholders' (deficit) equity	(8,044)	(32,028)	19,791
Total liabilities and stockholders' (deficit) equity	$ 4,849	$ 34,773	$ 34,773

See accompanying notes to financial statements.

NETFLIX.COM, INC.

STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Period from August 29, 1997 (Inception) to December 31, 1997	Years Ended December 31, 1998	1999
Revenues	$ --	$ 1,339	$ 5,006
Cost of revenues	--	1,311	4,373
Gross profit	--	28	633
Operating expenses:			
Product development	100	3,857	7,413
Sales and marketing	103	4,815	16,424
General and administrative	158	1,358	2,085
Stock-based compensation	--	1,151	4,742
Total operating expenses	361	11,181	30,664
Operating loss	(361)	(11,153)	(30,031)
Other income (expense):			
Interest and other income, net	3	114	924
Interest expense, net	(1)	(42)	(738)
Net loss	$(359)	$(11,081)	$(29,845)
Net loss per share--basic and diluted	$ --	$ (12.27)	$ (5.60)
Weighted average shares--basic and diluted	--	903	5,328

See accompanying notes to financial statements.

NETFLIX.COM, INC.

STATEMENTS OF STOCKHOLDERS' DEFICIT

Period From August 29, 1997 (Inception) To December 31, 1997 And For The Years Ended December 31, 1998 And 1999

(in thousands, except share data)

	Convertible Preferred Stock		Common stock		Additional Paid-in	Deferred Stock-Based	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Compensation	Deficit	Deficit
Balances at inception...	--	$ --	--	$ --	$ --	$ --	$ --	$ --
Issuance of common stock.....	--	--	3,200,000	3	--	--	--	3
Issuance of convertible preferred stock.....	3,990,000	4	--	--	1,988	--	--	1,992
Net loss.....							(359)	(359)
Balances as of December 31, 1997.....	3,990,000	4	3,200,000	3	1,988	--	(359)	1,636
Issuance of Series A preferred stock, net....	454,545	--	--	--	250	--	--	250
Forfeiture of common stock.....	--	--	(650,000)	--	--	--	--	--
Exercise of options and restricted stock purchase agreements.....	--	--	30,250	--	--	--	--	--
Deferred stock-based compensation related to option grants.....	--	--	--	--	5,862	(5,862)	--	--
Deferred stock-based compensation expense....	--	--	--	--	--	1,151	--	1,151
Net loss.....	--	--	--	--	--	--	(11,081)	(11,081)
Balances as of December 31, 1998.....	4,444,545	4	2,580,250	3	8,100	(4,711)	(11,440)	(8,044)
Exercise of options and restricted stock purchase agreements, net of repurchases.....	--	--	3,370,911	3	323	--	--	326
Issuance of common stock upon exercise of warrants.....	--	--	271,489	1	30	--	--	31
Warrants issued in connection with debt financing.....	--	--	--	--	762	--	--	762
Deferred stock-based compensation related to option grants.....	--	--	--	--	6,872	(6,872)	--	--
Deferred stock-based compensation expense....	--	--	--	--	--	4,742	--	4,742
Net loss.....	--	--	--	--	--	--	(29,845)	(29,845)
Balances as of December 31, 1999.....	4,444,545	$ 4	6,222,650	$ 7	$16,087	$(6,841)	$(41,285)	$(32,028)

See accompanying notes to financial statements.

NETFLIX.COM, INC.

STATEMENTS OF CASH FLOWS
(in thousands)

	Period from August 29, 1997 (Inception) to December 31, 1997	Years Ended December 31, 1998	1999
Cash flows from operating activities:			
Net loss	$ (359)	$(11,081)	$(29,845)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	5	427	3,745
Noncash write-off of scrapped DVDs	--	--	321
Deferred compensation expense	--	1,151	4,742
Noncash interest expense	--	7	398
Changes in operating assets and liabilities:			
Prepaids and other current assets	(48)	(592)	(85)
Accounts payable	121	2,942	2,271
Accrued liabilities	20	1,620	1,571
Deferred revenue	--	118	353
Net cash used in operating activities	(261)	(5,408)	(16,529)
Cash flows from investing activities:			
Purchases of short-term investments	--	--	(6,322)
Purchases of property and equipment	(152)	(103)	(3,295)
Purchase of rental library	--	(2,186)	(9,866)
Other assets	--	(74)	(259)
Net cash used in investing activities	(152)	(2,363)	(19,742)
Cash flows from financing activities:			
Proceeds from issuance of convertible preferred stock, net	1,992	250	--
Proceeds from issuance of mandatorily redeemable convertible preferred stock	--	6,000	45,498
Proceeds from issuance of common stock	3	--	357
Borrowings on notes payable	--	1,000	5,000
Principal payments on note payable and capital lease obligations	--	--	(1,447)
Net cash provided by financing activities	1,995	7,250	49,408
Net increase (decrease) in cash and cash equivalents	1,582	(521)	13,137
Cash and cash equivalents, beginning of period	--	1,582	1,061
Cash and cash equivalents, end of period	$1,582	$ 1,061	$ 14,198
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	$ 1	$ 8	$ 283
Noncash investing and financial activities:			
Purchase of assets under capital lease obligations	$ 124	$ 1,075	$ 1,026
Warrants issued in connection with debt financing	$ --	$ 321	$ 762

See accompanying notes to financial statements.

(in thousands, except share and per share data)

Period from August 29, 1997 to December 31, 1997, and for each of the years in the two-year period ended December 31, 1999

1. Organization and Significant Accounting Policies

Description of business

NetFlix.com, Inc. (the Company), formerly Kibble, Inc., was incorporated August 29, 1997 (inception), and began operations on April 14, 1998. The Company operates an Internet-based unlimited rental subscription service for digital video disc (DVD) formatted movies.

Cash and cash equivalents and short-term investments

The Company considers highly liquid instruments with original maturities of three months or less, at the date of purchase, to be cash equivalents. Short- term investments consist of highly liquid debt instruments such as commercial paper and medium-term corporate notes with maturities of less than one year.

Rental library, net

Rental library comprises of rental DVDs which are carried at cost less accumulated depreciation. The Company uses an accelerated method (sum of the years digits method) of depreciating the rental library over an estimated life of three years in order to more closely match expenses in proportion with anticipated revenues.

Rental library and accumulated depreciation as of December 31, were as follows:

	1998	1999
Rental library	$2,186	$10,882
Less accumulated depreciation	(175)	(2,187)
Rental library, net	$2,011	$ 8,695

The Company recorded $175 and $2,861 of depreciation expense on its DVD rental library in 1998 and 1999, respectively.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the shorter of the estimated useful lives of the respective assets, generally up to three years, or the lease term, if applicable.

The Company evaluates long-lived assets (including rental library) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured as the difference between the carrying amount of the property and equipment and its fair value. To date, the Company has made no adjustments to the carrying values of its long-lived assets.

Capitalized software costs

In 1999, the Company adopted Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 requires

the capitalization of direct costs incurred in connection with developing or obtaining software for internal use, including external direct costs of materials and services and payroll and payroll related costs for employees who are directly associated with and devote time to an internal-use software development project. During 1999, the Company capitalized $350 of costs related to the implementation of internal-use software which is included in computer software in Property and Equipment at December 31, 1999.

Concentrations of credit risk

The Company's cash and cash equivalents are principally on deposit in a short-term asset management account at two large financial institutions.

In 1999, the Company purchased approximately 82% of its DVDs from two suppliers.

Fair value of financial instruments

The fair value of the Company's cash, accounts receivable, accounts payable, and borrowings approximate their carrying values due to their short maturity or fixed-rate structure.

Use of estimates

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

Revenue recognition

The Company sold DVD's to customers through March 31, 1999. Revenue from those DVD sales was recorded upon shipment. Revenues from DVD rentals have been recorded using several methods which are described below:

. The Company has offered various rental programs that provide the customer a certain number of DVD rentals in return for a fee for a specified term. Revenue under these rental programs is deferred and recognized ratably over the term of the program.

. For DVD's that are not rented under the framework of a program, rental revenue is recognized upon shipment. Revenues collected in advance are deferred and recognized upon DVD shipment.

During 1998 and 1999, the Company charged $280 and $1,510 to customers for shipping and handling. These amounts are included in revenues in the accompanying financial statements.

Stock-based compensation

The Company accounts for its stock-based employee compensation plans using the intrinsic value method. Deferred stock-based compensation is recorded if, on the date of grant,

the current market value of the underlying stock exceeds the exercise price. The Company amortizes deferred stock-based compensation on an accelerated basis in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 28. Options granted to nonemployees are considered compensatory and are accounted for pursuant to Statement of Financial Accounting Standards (SFAS) No. 123 and Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." The Company uses the Black- Scholes option pricing model to value options granted to non-employees. The related expense is recorded over the period in which the related services are received.

Income taxes

The Company accounts for income taxes using the asset and liability method pursuant to SFAS No. 109, Accounting for Income Taxes. Deferred income taxes are recognized by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which future realization is uncertain.

Comprehensive loss

On January 1, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. SFAS No. 130 requires additional disclosures in the financial statements, but does not affect the Company's financial position or results of operations. Net loss, as reported in the statements of operations, is the Company's only component of comprehensive income during all periods presented.

Net loss per share

Basic net loss per share is computed using the weighted-average number of outstanding shares of common stock, excluding common stock subject to repurchase. Diluted net loss per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential common stock from options and warrants to purchase common stock and common stock subject to repurchase using the treasury stock method, and from convertible securities using the "as-if-converted" basis. All potential common stock issuances have been excluded from the computation of diluted net loss per share for all periods presented because the effect would be antidilutive.

Diluted net loss per share does not include the effect of the following antidilutive common equivalent shares (in thousands):

	Period from August 29, 1997 (Inception) to December 31, 1997	Years Ended December 31, 1998	1999
Stock options	--	4,168	1,594
Warrants	--	93	93
Common stock subject to repurchase	3,200	1,653	1,069
Convertible preferred stock	3,990	10,128	19,429
	7,190	16,042	22,185

Segment reporting

The Company is organized in a single operating segment for purposes of making operating decisions and assessing performance. The chief operating decision maker evaluates performance, makes operating decisions, and allocates resources based on financial data consistent with the presentation in the accompanying financial statements.

Accounting for derivative instruments and hedging activities

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. For a derivative not designated as a hedging instrument, changes in the fair value of the derivative are recognized in earnings in the period of change. This statement will be effective for all annual and interim periods beginning after June 15, 1999. Management does not believe the adoption of SFAS No. 133 will have a material effect on the Company's financial position or results of operations.

Subscriber acquisition and advertising costs

The Company expenses subscriber acquisition and advertising costs as incurred. These amounts are included in sales and marketing expenses in the accompanying financial statements. Advertising expense was approximately $40, $2,154 and $3,913 for the period from August 29, 1997 (inception) to December 31, 1997, and for the years ended December 31, 1998 and 1999, respectively.

The Company offers an initial period of free DVD use to new customers. At the end of the free period, the customer has no obligation to continue to do business with the Company and the customer can elect to opt out of continuing a relationship at no cost. The Company accrues the estimated direct costs of fulfilling the obligations under free programs based upon the estimated number of DVDs that are expected to be rented by those potential customers that are participating in the free program at any point in time. The Company does not record any revenue in connection with any free DVD rental programs.

(in thousands, except share and per share data)

Until April 1999, the Company offered coupons for free DVDs to consumers who purchase certain DVD players from retailers. As of December 31, 1998, the Company had accrued the estimated cost of satisfying the outstanding obligations under this program of approximately $1,031. The amount accrued includes the estimated cost of DVDs to be delivered under the program and estimated shipping and handling costs. The amount accrued as of December 31, 1998, is offset by an amount of approximately $730 of reimbursement from a DVD player manufacturer. During 1999, this program was terminated and as of December 31, 1999, the Company had no obligation to deliver free DVDs. The Company did not record any revenue in connection with this free DVD program.

Unaudited pro forma financial statement balance sheet

The pro forma balance sheet as of December 31, 1999, includes (i) the assumed automatic conversion of all outstanding shares of Series A, B, C, and D convertible preferred stock upon the closing of the Company's planned initial public offering into 19,428,765 shares of common stock.

Pro forma net loss per share (unaudited)

Pro forma net loss per share for the year ended December 31, 1999, is computed using the weighted-average number of common stock outstanding and common stock to be issued from the automatic conversion of convertible preferred stock effective upon the closing of the Company's initial public offering, as if such conversion occurred on January 1, 1999, or at the date of issuance, if later. Pro forma common equivalents, consisting of incremental common stock issuance upon the exercise of stock options and warrants, as well as shares subject to repurchase agreements are not included in pro forma diluted net loss per share.

	Year ended December 31, 1999
Pro forma net loss per share basic and diluted (unaudited)	$ (1.36)
Weighted-average shares used in computation	21,913,000

2. Property and Equipment, Net

Property and equipment as of December 31, 1998 and 1999, consisted of the following:

	1998	1999
Computer equipment	$ 996	$4,361
Purchased software and Web site development costs	240	710
Furniture and fixtures	60	405
Leasehold improvements	21	162
	1,317	5,638
Less accumulated depreciation	255	1,139
	$1,062	$4,499

(in thousands, except share and per share data)

Property and equipment includes approximately $1,075 and $2,101 of assets under capital leases as of December 31, 1998 and 1999, respectively. Accumulated depreciation of assets under these leases totaled approximately $241 and $806 for the years ended December 31, 1998 and 1999, respectively.

3. Accrued Liabilities

Accrued liabilities consisted of the following as of December 31, 1998 and 1999:

	1998	1999
Obligation to satisfy free rental programs	$ 98	$ 595
Obligation to deliver free DVDs	1,031	--
Employee benefits	181	926
Other	330	1,690
	$1,640	$3,211

4. Debt and Warrants Equipment lines of credit

The Company has entered into financing agreements for the acquisition of inventory and equipment. Amounts borrowed are collateralized by the related purchased assets. The Company had outstanding borrowings under these arrangements of $1,058 and $1,637 as of December 31, 1998 and 1999, respectively. Such amounts are payable over a four-year period in monthly installments of principal and interest with interest accruing at rates ranging between 8.0% and 26.0% per annum.

Notes payable

In February 1999, the Company entered into a loan and security agreement with a third-party that provides for borrowings of up to $5,000. As of December 31, 1999, $5,000 had been borrowed under this facility. The loan accrues interest equal to the prime rate, on the date of funding, plus 3.5%, and has a 36-month repayment period. Borrowings are secured by the assets of the Company. Principal payments of $625, $2,500, and $1,875 are due in the years ended December 31, 2000, 2001, and 2002, respectively.

In December 1998, the Company entered into promissory notes in the amount of $1,000. These notes were subordinated to bank debt, lease financing agreements, and any other forms of institutional debt, and accrued interest at a rate of 13% per annum. These notes were paid in full in February 1999.

Warrants and common stock issued with debt instruments

In October 1998, in connection with borrowings under an equipment line of credit, the Company issued a warrant that provided the lender the right to purchase 92,592 shares of Series B mandatorily redeemable convertible preferred stock at $1.08 per share. The Company accounted for the fair value of the warrant of approximately $182 as an increase to

(in thousands, except share and per share data)

mandatorily redeemable preferred stock with a corresponding provision to debt discount. The debt discount is being amortized to interest expense over the term of the related debt which is 48 months.

In December 1998, in connection with borrowings under an equipment line of credit, the Company issued a warrant that provided the lender the right to purchase a variable number of shares of mandatorily redeemable convertible preferred stock at a variable price. The Company estimated the fair value of this warrant to be approximately $138 at the December issuance date. In February 1999, this warrant was modified and the number of shares (58,626) and price ($2.31) were fixed resulting in an estimated fair value of the warrant of approximately $170. The Company accounted for the fair value of the warrant as an increase to mandatorily redeemable preferred stock with a corresponding provision to debt discount. The debt discount is being amortized to interest expense over the term of the related debt, which is 48 months. The lender exercised this warrant in February 1999.

In February 1999, in connection with borrowings under notes payable, the Company issued to the lender 271,489 shares of common stock at $0.11 per share. The Company accounted for the fair value of approximately $762 as an increase to additional paid-in capital with a corresponding provision to debt discount. The debt discount is being amortized over the term of the related debt, which is 24 months.

Unamortized discounts related to these warrants of $307 and $674 as of December 31, 1998 and 1999, respectively, are included in noncurrent notes payable and capital lease obligations and are being amortized to interest expense over the term of the related obligations. The lender exercised this warrant in February 1999.

5. Lease Commitments

The Company leases its primary facility under a noncancelable operating lease. The Company also has capital leases with various expiration dates through December 31, 2002. Future minimum lease payments under noncancelable capital and operating leases as of December 31, 1999, are as follows:

Year ending December 31,	Capital Leases	Operating Leases
2000	$ 684	$1,312
2001	724	933
2002	464	891
2003	116	905
2004	--	781
Thereafter	--	--
Total minimum payments	1,988	$4,822
Less interest	606	
Present value of net minimum lease payments	1,382	
Less current portion of capital lease obligations	571	
Capital lease obligation	$ 811	

Rent expense for the period from August 29, 1997 (inception) to December 31, 1997, and for the years ended December 31, 1998 and 1999, was approximately $11, $169, and $783, respectively.

6. Preferred Stock and Common Stock

Preferred Stock

In October 1997, the Company issued 3,990,000 shares of Series A convertible preferred stock (Series A) for aggregate consideration of $1,992. In March 1998, the Company sold an additional 454,545 shares of Series A for aggregate consideration of $250. In June 1998, the Company sold 5,684,024 shares of Series B preferred stock for aggregate consideration of $6,000. In February 1999, the Company sold 4,650,269 shares of Series C preferred stock for aggregate consideration of $15,150. In June 1999, the Company sold 4,649,927 shares of Series D preferred stock for aggregate consideration of $30,318.

The rights, preferences, and privileges of the holders of Series A, B, C, and D preferred stock are as follows:

. Dividends are noncummulative and payable only upon declaration by the Company's Board of Directors at a rate of $0.05, $0.0864, $0.2616, and $0.516 per share for Series A, B, C, and D, respectively.

. Holders of Series A, B, C, and D have a liquidation preference of $0.50, $1.08, $3.27, and $6.52 per share, respectively. After payment to holders of Series A, B, C, and D preferred stock, each share of common stock and preferred stock is entitled to receive pro rata any remaining assets of the Company until such time as the holders of Series A, B, C, and D preferred stock receive aggregate amounts totaling $1.50, $3.24, $9.81, and $19.56 per share, respectively. Thereafter, all remaining proceeds are to be allocated to the holders of common stock on a pro rata basis.

. Series A is convertible into common stock at the option of the holder, at any time, at a rate of one share of common stock for each share of Series A preferred stock. Each outstanding share of Series A shall automatically be converted into one share of common stock immediately upon the closing of an underwritten public offering pursuant to an effective registration statement of which the gross proceeds equal or exceed $20,000 or affirmative election of the holders of at least 50% of the outstanding shares.

. Each share of Series B, C, and D mandatorily redeemable outstanding preferred stock automatically converts into one share of common stock upon an initial offering of the Company's common stock with gross proceeds in excess of $20,000 or affirmative election of the holders of at least 75% of the outstanding shares the respective series. The Company has fully reserved shares of common stock for issuance upon the conversion of Series B, C, and D preferred stock.

. Holders of Series B, C, and D preferred stock have the option to redeem their shares after June 12, 2004 at $1.08, $3.27, and $6.52 per share, respectively.

Common Stock

At December 31, 1999, the Company had 2,550,000 shares of common stock outstanding to founders and employees that were issued under restricted stock purchase agreements. Pursuant to the agreements, the Company has the right to repurchase the unvested common stock at its original purchase price in the event of voluntary or involuntary termination of employment of the stockholder for any reason. The repurchase rights expire generally through the year 2001. Shares subject to repurchase totaled approximately 1,653,000 and 1,069,000 as of December 31, 1998 and 1999, respectively.

1997 Stock Plan

As of December 31, 1998 and 1999, the Company was authorized to issue up to 5,081,400 and 6,828,083 shares, respectively, of common stock in connection with its 1997 Stock Plan to directors, employees, and consultants. The plan provides for the issuance of stock purchase rights, incentive stock options, or nonstatutory stock options.

Stock purchase rights are subject to a restricted stock purchase agreement whereby the Company has the right to repurchase the stock at the original issue price upon the voluntary or involuntary termination of the purchaser's employment with the Company. The repurchase rights will lapse at a rate determined by the stock plan administrator, but at a minimum rate of 25% per year.

The exercise price for incentive stock options is at least 100% of the stock's fair market value on the date of grant for employees owning less than 10% of the voting power of all classes of stock, and at least 110% of the fair market value on the date of grant for employees owning more than 10% of the voting power of all classes of stock. For nonstatutory stock options, the exercise price is also at least 110% of the fair market value on the date of grant for service providers owning more than 10% of the voting power of all classes of stock and no less than 85% of the fair market value on the date of grant for service providers owning less than 10% of the voting power of all classes of stock.

Options generally expire in 10 years; however, they may be limited to 5 years if the optionee owns stock representing more than 10% of the Company. Vesting periods are determined by the stock plan administrator and generally provide for shares to vest over a 4-year period, with 25% of the award vesting after one year from the date of grant and then ratably vesting each month thereafter.

(in thousands, except share and per share data)

The Company uses the intrinsic-value method to account for its fixed option plans. Deferred stock-based compensation cost has been recognized for stock option plan grants to employees when the fair value of the underlying common stock on the grant date exceeds the exercise price for each stock option. Deferred stock-based compensation is amortized using the accelerated method set forth in FASB Interpretation No. 28. Had compensation cost for the Company's stock-based compensation plan been determined consistent with SFAS No. 123 for all of the Company's stock-based compensation plans, net loss and basic and diluted net loss per share would have been as follows:

	Period From August 29, 1997 (Inception) to December 31,	Years Ended December 31,	
	1997	1998	1999
Net loss:			
As reported	$ (359)	$(11,081)	$(29,845)
Pro forma	(359)	(11,093)	(29,949)
Basic and diluted net loss per share:			
As reported	--	(12.27)	(5.60)
Pro forma	--	(12.28)	(5.62)

The fair value of each option was estimated on the date of grant using the minimum value method with the following weighted-average assumptions: no dividend yield; volatility of -0-%; risk-free interest rate of -0-%, 4.95%, and 5.40% for the period from August 29, 1997 (inception) to December 31, 1997, and for the years ended 1998 and 1999, respectively; and expected life of 3.5 years for all periods.

A summary of the status of the Company's options for the period from August 29, 1997 (inception) to December 31, 1997, and for the years ended December 31, 1998 and 1999, are as follows:

		Options Outstanding	
	Shares Available for Grant	Number of Shares	Weighted-Average Exercise Price
Authorized (inception)	2,800,000	--	$ --
Balances as of December 31, 1997	2,800,000	--	--
Authorized	2,281,400	--	
Granted	(4,492,483)	4,492,483	0.085
Exercised	--	(30,250)	0.098
Canceled or repurchased	294,262	(294,262)	0.085
Balances as of December 31, 1998	883,179	4,167,971	0.084
Authorized	1,746,683	--	
Granted	(2,001,063)	2,001,063	1.213
Exercised	--	(3,370,911)	0.090
Canceled or repurchased	1,204,284	(1,204,284)	0.450
Balances as of December 31, 1999	1,833,083	1,593,839	1.347
Options exercisable as of December 31:			
1997		--	--
1998		292,958	0.060
1999		117,746	0.421

(in thousands, except share and per share data)

The weighted-average fair value of options granted in fiscal 1997, 1998, and 1999 was $-0-, $1.17, and $4.66, respectively.

As of December 31, 1999, the range of exercise prices and weighted-average remaining contractual life of outstanding options were as follows:

	Options outstanding			Options exercisable	
Exercise prices	Number of Options	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Shares Exercisable	Weighted-Average Exercise Price
$0.05--$0.11	222,964	8.32	$0.07	96,079	$0.07
1.00	660,875	9.27	1.00	--	--
1.50--1.75	53,500	9.40	1.61	--	--
2.00--2.25	656,500	9.75	2.04	21,667	2.00
$0.05--$2.25	1,593,839	9.36	$1.35	117,746	$0.42

Deferred Compensation

In connection with certain stock option grants made to employees and consultants during the years ended December 31, 1998 and 1999, the Company recognized deferred compensation totaling $5,862 and $6,872, which is being amortized over the four year vesting period of the related options. Amortization expense recognized during the years ended December 31, 1998 and 1999, totaled approximately $1,151 and $4,742, respectively.

7. Income Taxes

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax loss as a result of the following:

	Period from August 29, 1997 (Inception) to December 31, 1997	Years Ended December 31, 1998	1999
Expected tax benefit at U.S. federal statutory rate of 34%.....	$ (122)	$(3,768)	$(10,147)
Net operating loss for which no tax benefit was realized.....	122	3,213	7,800
Deferred stock compensation.....	--	327	1,496
Other.....	--	228	851
Total tax expense.....	$ --	$ --	$ --

(in thousands, except share and per share data)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 1998 and 1999, are presented below:

	1998	1999
Deferred tax assets:		
Net operating loss carryforward	$ 4,181	$14,008
Accruals and reserves	398	1,590
Other	1	1
Gross deferred tax assets	4,580	15,599
Less valuation allowance	4,580	15,599
Net deferred tax assets	$ --	$ --

Management has established a valuation allowance for the portion of deferred tax assets for which realization is uncertain. The total valuation allowance for the years ended December 31, 1998, and 1999 increased, $4,000 and $11,019, respectively.

As of December 31, 1998 and 1999, the Company has net operating loss carryforwards for Federal and California income tax purposes of approximately $9,761 and $32,700, respectively. The net operating loss carryforward expires beginning in the year 2005.

The Tax Reform Act of 1986 imposes restrictions on the utilization of net operating loss carryforwards and tax credit carryforwards in the event of an "ownership change" as defined by the Internal Revenue Code. The Company's ability to utilize its net operating loss carryforwards is subject to restriction pursuant to these provisions.

8. Subsequent Events

In April 2000, the Company's Board of Directors adopted the 2000 Employee Stock Purchase Plan, which is subject to stockholder approval. A total of 550,000 shares of the Company's common stock have been reserved for issuance, and additional shares will be reserved on an annual basis beginning in January 2001. As of the date of this prospectus, no shares have been issued under the Company's 2000 Employee Stock Purchase Plan.

On April 13, 2000, the Company sold 5,330,023 shares of Series E Preferred Stock to existing preferred stockholders for aggregate consideration of $49,996. In connection with the sale, the Company sold warrants to purchase 533,003 shares of Series E Preferred Stock at a price of $0.01 per warrant. The warrants have an exercise price of $14.07 per share. The rights, preferences, and privileges of the Series E Preferred Stock are as follows:

. Dividends are not cumulative and payable only upon declaration by the Company's board of directors at a rate of $.759 per share per annum.

. Holders of Series E Preferred Stock have a liquidation preference of $9.38 per share. After payment to holders of all series of preferred stock, each share of common and preferred stock is entitled to receive pro rata any remaining assets of the Company until such time as the holders of Series E Preferred Stock receive an aggregate amount totaling $28.14 per share. Thereafter, all remaining proceeds are to be allocated to the holders of common stock on a pro rata basis.

. Each share of Series E Mandatorily Redeemable Preferred Stock automatically converts into one share of common stock upon an initial offering of the Company's common stock with gross proceeds in excess of $20,000 or affirmative election of the holders of at least 75% of the outstanding shares. The Company has fully reserved shares of common stock for issuance upon the conversion of Series E Preferred Stock.

. Holders of Series E Preferred Stock have the option to redeem their shares after June 12, 2004.

Upon consummation of an initial public offering, the Company will record a charge to net loss attributable to common stockholders of approximately $29,000 for the beneficial conversion feature inherent in the Series E Preferred Stock. The beneficial conversion feature is equal to the difference between the price of the Series E Preferred Stock and the estimated fair value of the Company's common stock at the date the Series E Preferred Stock was issued. The beneficial conversion feature is similar to a dividend on preferred stock that increases net loss to arrive at net loss attributable to common stockholders.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

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Until , 2000 (25 days after the date of this prospectus), all dealers that buy, sell or trade in these securities, whether or not participating in this offering, may be required to deliver a prospectus. Dealers are also obligated to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

[NETFLIX LOGO]

Shares

Common Stock

Deutsche Banc Alex. Brown

SG Cowen

U.S. Bancorp Piper Jaffray

Prospectus

, 2000

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by NetFlix in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	$
NASD filing fee	
Nasdaq National Market listing fee	
Printing and engraving costs	
Legal fees and expenses	
Accounting fees and expenses	
Blue Sky fees and expenses	
Transfer Agent and Registrar fees	
Miscellaneous expenses	
Total	$

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by the current law.

Article V of the Registrant's Amended and Restated Certificate of Incorporation provides for the indemnification of directors to the fullest extent permissible under Delaware law.

Article VI of the Registrant's Bylaws provides for the indemnification of officers, directors and third parties acting on behalf of the Registrant if such person acted in good faith and in a manner reasonably believed to be in and not opposed to the best interest of the Registrant, and, with respect to any criminal action or proceeding, the indemnified party had no reason to believe his or her conduct was unlawful.

The Registrant will enter into indemnification agreements with its directors and executive officers, in addition to indemnification provided for in the Registrant's Bylaws, and intends to enter into indemnification agreements with any new directors and executive officers in the future.

The Underwriting Agreement (Exhibit 1.1 hereto) provides for indemnification by the Underwriters of the registrant and its executive officers and directors, and by the registrant of the underwriters for certain liabilities, including liabilities arising under the Securities Act, in connection with matters specifically provided in writing by the Underwriters for inclusion in the Registration Statement.

Item 15. Recent Sales of Unregistered Securities

During the past two and one-half years, the Registrant has issued unregistered securities to a limited number of persons as described below:

(a) On September 1, 1997, Registrant issued an aggregate of 3,200,000 shares of common stock to two founding officers and directors of the Registrant in exchange for a business plan with a stated value of $160,000. The foregoing purchase and sale was

exempt from registration under the Securities Act pursuant to Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(b) On October 17, 1997, Registrant issued and sold an aggregate of 3,990,000 shares of Series A Preferred Stock to five investors for $0.50 per share or an aggregate of $1,992,000. The foregoing purchases and sales were exempt from registration under the Securities Act pursuant to Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(c) On January 26, 1998, Registrant issued and sold an aggregate of 454,545 shares of Series A Preferred Stock to one investor for $0.55 per share or an aggregate of $250,000. The foregoing purchases and sales were exempt from registration under the Securities Act pursuant to Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(d) On June 12, 1998, Registrant issued and sold an aggregate of 5,684,024 shares of Series B Preferred Stock to a total of 19 investors for $1.08 per share, or an aggregate of $5,999,997. The foregoing purchases and sales were exempt from registration under the Securities Act pursuant to
Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(e) On October 1, 1998, Registrant issued and sold a warrant to purchase up to 92,592 shares of Series B Preferred Stock at an exercise price of $1.08 per share to Comdisco, Inc. The foregoing purchase and sale was exempt from registration under the Securities Act pursuant to Section 4 (2) thereof on the basis that the transaction did not involve a public offering.

(f) On February 17, 1999, Registrant issued and sold an aggregate of 4,650,269 shares of Series C Preferred Stock to a total of 28 investors for $3.27 per share, or an aggregate of $15,150,000. The foregoing purchases and sales were exempt from registration under the Securities Act pursuant to Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(g) On December 16, 1998, Registrant issued and sold a warrant to purchase up to 58,526 shares of Series C Preferred Stock at an exercise price of $2.31 per share to Comdisco, Inc. The foregoing purchases and sales were exempt from registration under the Securities Act pursuant to
Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(h) On February 26, 1999, Comdisco, Inc. exercised its Series C warrant for cash. The foregoing purchase and sale was exempt from registration under the Securities Act pursuant to Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(i) On June 22, 1999 and October 31, 1999, Registrant issued and sold an aggregate of 4,649,927 shares of Series D Preferred Stock to a total of ten investors for $6.52 per share, or an aggregate of $30,317,524. The foregoing purchase and sale was exempt from registration under the Securities Act pursuant to Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(j) On April 13 and April 17, 2000, Registrant issued and sold (i) an aggregate of 5,332,689 shares of Series E Non-Voting Preferred Stock at a price per share of $9.38, and (ii) warrants to purchase up to an aggregate of 533,033 shares of common stock each with an exercise price of $14.07 per share, at a price per warrant share of $0.01, to a total of 16 investors, or an aggregate of $50,025,952. The foregoing purchases and sales were exempt from registration under the Securities Act pursuant to Section 4(2) thereof on the basis that the transaction did not involve a public offering.

(k) As of April 13, 2000, an aggregate of 4,121,624 shares of common stock had been issued upon exercise of options under the Registrant's amended and restated 1997 Stock Plan. The foregoing purchases and sales were exempt from registration under the Securities Act pursuant to Rule 701 of the Securities Act.

Except as indicated above, none of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and the Registrant believes that each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 pursuant to compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients in such transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

Exhibit Number	
1.1	Form of Underwriting Agreement.*
3.1	Restated Certificate of Incorporation of NetFlix.com to be in effect after the closing of the offering made under this Registration Statement.
3.2	Restated Bylaws of the Registrant to be in effect after the closing of the offering made under this Registration Statement.
4.1	Specimen Common Stock Certificate.*
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation.*
10.1	Form of Indemnification Agreement between NetFlix.com and each of its directors and officers.
10.2	2000 Employee Stock Purchase Plan and form of agreements thereunder.
10.3	Amended and Restated 1997 Stock Plan and form of agreements thereunder.
10.4	Amended and Restated Stockholders' Rights Agreement dated April 13, 2000.
10.5	Sublease dated January 4, 1999 by and between HI/FN, Inc. and NetFlix.com, Inc.
10.6	Lease Agreement dated as of March 31, 2000 between Barrister Executive Suites, Inc. and NetFlix.com, Inc.
10.7	Lease Agreement dated August 11, 1999 between Lincoln-Recp Old Oakland Opco, LLC and NetFlix.com, Inc.
10.8	Offer Letter dated April 19, 1999, with W. Barry McCarthy, Jr., Chief Financial Officer of NetFlix.com, Inc.
10.9	Founder's Restricted Stock Purchase Agreement between Reed Hastings and Kibble, Inc. (now NetFlix.com, Inc.), and amendment No. 1 thereto.
10.10	Founder's Restricted Stock Purchase Agreement between Marc Randolph and Kibble, Inc. (now NetFlix.com, Inc.), and amendment No. 1 thereto.
16.1	Letter from PricewaterhouseCoopers LLP regarding change in certifying accountant.
23.1	Report on Schedule and Consent of Independent Accountants.
23.2	Consent of Counsel (see Exhibit 5.1).
24.1	Power of Attorney (see page II-5).
27.1	Financial Data Schedules.

* To be filed by amendment.

(b) Financial Statement Schedules

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City Of Los Gatos, State of California, on the 18th day of April, 2000.

NETFLIX.COM, INC.

/s/ Reed Hastings
By: _____
Reed Hastings
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, Reed Hastings and W. Barry McCarthy, Jr. each of them acting individually, as his or her attorney-in-fact, each with full power of substitution, for him or her any and all capacities, to sign any and all amendments (including, without limitation, post-effective Amendments and any amendments or abbreviated registration statements increasing the amount of securities for which registration is being sought) to this Registration Statement, with all exhibits and any and all documents required to be filed with respect thereto, with the Securities and Exchange Commission or any regulatory authority, granting unto such attorneys- in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same as fully to all intents and purposes as he or she might or could do if personally present, hereby ratifying and confirming all that such attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done.

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

Signature	Title	Date
/s/ Reed Hastings Reed Hastings	President, Chief Executive Officer and Director (Principal Executive Officer)	April 18, 2000
/s/ W. Barry McCarthy, Jr. W. Barry McCarthy, Jr.	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 18, 2000
/s/ Marc B. Randolph Marc B. Randolph	Director	April 18, 2000
/s/ Tim Haley Tim Haley	Director	April 18, 2000
/s/ Jay C. Hoag Jay C. Hoag	Director	April 18, 2000
/s/ Samir Master Samir Master	Director	April 18, 2000
/s/ Michael N. Schuh Michael N. Schuh	Director	April 18, 2000

Schedule II--Valuation and Qualifying Accounts

(in thousands)

	Balance at Beginning of the Period	Charged to Costs and Expenses	Deductions(1)	Balance at End of the Period
Period from August 29, 1997 to December 31, 1997.....	$--	$--	$--	$--
Year Ended December 31, 1998...	$--	$ 20	$--	$ 20
Year Ended December 31, 1999...	$ 20	$ 91	$ 26	$ 85

(1) Represents write-offs of uncollectible accounts receivable.

EXHIBIT INDEX

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24.1	Power of Attorney (see page II-5).
27.1	Financial Data Schedules.

* To be filed by amendment.

EXHIBIT 3.1

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

NETFLIX.COM, INC.

NetFlix.com, Inc., a corporation organized and existing under the laws of the State of Delaware, does hereby certify:

1. The name of the corporation is NetFlix.com, Inc. NetFlix.com, Inc. was originally incorporated under the name Kibble, Inc., and the original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 29, 1997.

2. Pursuant to Sections 242 and 228 of the General Corporation Law of the State of Delaware, the amendments and restatement herein set forth have been duly approved by the Board of Directors and stockholders of NetFlix.com, Inc.

3. Pursuant to Section 245 of the General Corporation Law of the State of Delaware, this Amended and Restated Certificate of Incorporation restates and integrates and amends the provisions of the Amended and Restated Certificate of Incorporation of this corporation.

4. The text of the Restated Certificate of Incorporation is hereby restated and amended to read in its entirety as follows:

ARTICLE I

The name of the corporation is NetFlix.com, Inc. (the "Corporation").

ARTICLE II

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

ARTICLE III

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended.

ARTICLE IV

The Corporation is authorized to issue two classes of stock to be designated, respectively, Common Stock, par value $0.001 per share ("Common Stock") and Preferred Stock, par value $0.001 per share ("Preferred Stock"). The total number of shares of Common Stock that the Corporation shall have authority to issue is two hundred million (200,000,000). The total number of shares of Preferred Stock that the Corporation shall have authority to issue is ten million (10,000,000). The Preferred Stock may be issued from time to time in one or more series.

The Corporation shall from time to time in accordance with the laws of the State of Delaware increase the authorized amount of its Common Stock if at any time the number of shares of Common Stock remaining unissued and available for issuance shall not be sufficient to permit conversion of all outstanding Preferred Stock.

The Board of Directors is hereby authorized, subject to limitations prescribed by law and the provisions of this Article IV, by resolution to provide for the issuance of the shares of Preferred Stock in one or more series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, privileges, preferences, and relative participating, optional or other rights, if any, of the shares of each such series and the qualifications, limitations or restrictions thereof.

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

A. The number of shares constituting that series (including an increase or decrease in the number of shares of any such series (but not below the number of shares in any such series then outstanding)) and the distinctive designation of that series;

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

C. Whether that series shall have the voting rights (including multiple or fractional votes per share) in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

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

E. Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall

be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption rates;

F. Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and the amount of such sinking funds;

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

H. Any other relative rights, preferences and limitations of that series.

No holders of shares of the Corporation of any class, now or hereafter authorized, shall have any preferential or preemptive rights to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized, or any options or warrants for such shares, or any rights to subscribe for, purchase or receive any securities convertible to or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation, except in the case of any shares of Preferred Stock to which such rights are specifically granted by any resolution or resolutions of the Board of Directors adopted pursuant to this Article IV.

ARTICLE V

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by the Board of Directors, by the Chairman of the Board of Directors or by the Chief Executive Officer of the Corporation and any power of stockholders to call a special meeting is specifically denied. No business other than that stated in the notice shall be transacted at any special meeting.

ARTICLE VI

The Corporation is to have perpetual existence.

ARTICLE VII

For the management of the business and for the conduct of affairs of the Corporation, and in further definition, limitation and regulation of powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors of this Corporation shall be fixed and may be changed from time to time by resolution of the Board of Directors.

B. The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2001, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2002, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2003, with each class to hold office until its successor is duly elected and qualified. At each succeeding annual meeting of stockholders, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election.

C. Notwithstanding the foregoing provisions of this Article VII, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. Any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal, or other causes unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, and except as otherwise provided by law, shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors and not by the stockholders.

E. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

F. The directors of the Corporation need not be elected by written ballot unless the Bylaws of the Corporation so provide.

G. Advance notice of stockholder nomination for the election of directors and of any other business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

ARTICLE VIII

A. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

B. The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Corporation or any predecessor of the Corporation or serves or served at any other enterprise as a director, officer or employee at the request of the Corporation or any predecessor to the Corporation.

C. Neither any amendment nor repeal of this Article VIII, nor the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article VIII, shall eliminate or reduce the effect of this Article VIII, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VIII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE IX

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept
(subject to any provision contained in the laws of the State of Delaware)
outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE X

Except as provided in Article VIII above, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by the laws of the state of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all shares of the Corporation entitled to vote generally in the election of directors then outstanding, voting together as a single class shall be required to alter, amend, adopt any provision inconsistent with or repeal Article V or VII or this sentence.

IN WITNESS WHEREOF, NetFlix.com, Inc. has caused this Amended and Restated Certificate of Incorporation to be executed by Reed Hastings, its President and Chief Executive Officer this _____ day of _____ 2000.

Reed Hastings President and Chief Executive Officer

EXHIBIT 3.2

AMENDED AND RESTATED

BYLAWS OF

NETFLIX, INC.

(a Delaware corporation)

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AMENDED AND RESTATED

BYLAWS

OF

NETFLIX.COM, INC.
(a Delaware corporation)

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be fixed in the certificate of incorporation of the corporation.

1.2 OTHER OFFICES

The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the principal executive office of the corporation.

2.2 ANNUAL MEETING

The annual meeting of the stockholders of this corporation shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted. Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of the board of directors, or (c) by any stockholder of the corporation who

was a stockholder of record at the time of giving of notice provided for in these Bylaws, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the preceding sentence, the stockholder must have given timely notice thereof in writing to the secretary of the corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 60th day, but not earlier than the close of business on the 90th day, prior to the meeting; provided, however, that in the event that less than 65 days notice of the meeting is given to stockholders, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (or any successor thereto) (the "Exchange Act") and Rule 14a-11 thereunder (or any successor thereto) (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);
(b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, and (ii) the class and number of shares of the corporation that are owned beneficially and of record by such stockholder and such beneficial owner. Notwithstanding any provision herein to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this
Section 2.2.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, or by the chairman of the board or by the chief executive officer.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing to the secretary of the corporation, and shall set forth (a) as to each person whom such person or persons propose to nominate for election or reelection as a director at such meeting all information relating to such proposed nominee that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (or any successor thereto) and Rule 14a-11 thereunder (or any successor thereto) (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);

(b) as to any other business to be taken at the meeting, a brief description of such business, the reasons for conducting such business and any material interest in such business of the person or persons calling such meeting and the beneficial owners, if any, on whose behalf such meeting is called; and (c) as to the person or persons calling such meeting and the beneficial owners, if any, on whose behalf the meeting is called (i) the name and address of such persons, as they appear on the corporation's books, and of such beneficial owners, and (ii) the class and number of shares of the corporation that are owned beneficially and of record by such persons and such beneficial owners. No business may be transacted at such special meeting otherwise than specified in such notice or by or at the direction of the corporation's board of directors. The corporation's secretary shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5, that a meeting will be held at the time reasonably requested by the person or persons who called the meeting, not less than 60 nor more than 90 days after the receipt of the request. If the notice is not given within 20 days after the receipt of a valid request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph 2.3 shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

Only such business shall be conducted at a special meeting of stockholders called by action of the board of directors as shall have been brought before the meeting pursuant to the corporation's notice of meeting.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings of stockholders shall be sent or otherwise given in accordance with Sections 2.2 and 2.3 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the purpose or purposes for which the meeting is called (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the stockholders (but any proper matter may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board intends to present for election.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders shall be given either personally or by first-class mail or by telegraphic or other written communication. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the stockholder at the address of that stockholder appearing on the books of the corporation or given by the stockholder to the corporation for the purpose of notice. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice.

2.6 QUORUM

The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairman of the meeting or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting in accordance with Section 2.7 of these bylaws.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the laws of the State of Delaware or of the certificate of incorporation or these bylaws, a different vote is required, in which case such express provision shall govern and control the decision of the question.

If a quorum be initially present, the stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken is approved by a majority of the stockholders initially constituting the quorum.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time and place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.10 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners, and to voting trusts and other voting agreements).

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.9 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

The stockholders may not take any action by written consent in lieu of a meeting, and must take any actions at a duly called annual or special meeting of stockholders and the power of stockholders to consent in writing is specifically denied.

2.10 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING

For purposes of determining the stockholders entitled to notice of any meeting or to vote thereat, the board of directors may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors and which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting, and in such event only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date.

If the board of directors does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the board of directors fixes a new record date for the adjourned meeting, but the board of directors shall fix a new record date if the meeting is adjourned for more than thirty (30) days from the date set for the original meeting.

The record date for any other purpose shall be as provided in Section 8.1 of these bylaws.

2.11 PROXIES

Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, telefacsimile or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

2.12 ORGANIZATION

The president, or in the absence of the president, the chairman of the board, shall call the meeting of the stockholders to order, and shall act as chairman of the meeting. In the absence of the president, the chairman of the board, and all of the vice presidents, the stockholders shall appoint a chairman for such meeting. The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such matters as the regulation of the manner of voting and the conduct of business. The secretary of the corporation shall act as secretary of all meetings of the stockholders, but in the absence of the secretary at any meeting of the stockholders, the chairman of the meeting may appoint any person to act as secretary of the meeting.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

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

ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of Delaware and to any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of eight (8) members. The number of directors may be changed by an amendment to this bylaw, duly adopted by the board of directors or by the stockholders, or by a duly adopted amendment to the certificate of incorporation.

3.3 ELECTION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws or the certificate of incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Each director, including a director elected or appointed to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Election of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES

Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary or the board of directors, unless the notice specifies a later time for that

resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

Unless otherwise provided in the certificate of incorporation or these bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; provided however, a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum). Unless otherwise provided in the certificate of incorporation or these bylaws, each director so elected shall hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares then outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, only with cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

3.6 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

Regular meetings of the board of directors may be held at any place within or outside the State of Delaware that has been designated from time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board may be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the corporation.

Any meeting of the board, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such participating directors shall be deemed to be present in person at the meeting.

3.7 FIRST MEETINGS

The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

3.8 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time as shall from time to time be determined by the board of directors. If any regular meeting day shall fall on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding business day.

3.9 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telecopy, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or telecopy, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not

specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.10 QUORUM

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.12 of these bylaws. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of the certificate of incorporation and applicable law.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the quorum for that meeting.

3.11 WAIVER OF NOTICE

Notice of a meeting need not be given to any director (i) who signs a waiver of notice, whether before or after the meeting, or (ii) who attends the meeting other than for the express purposed of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. All such waivers shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the board of directors.

3.12 ADJOURNMENT

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting of the board to another time and place.

3.13 NOTICE OF ADJOURNMENT

Notice of the time and place of holding an adjourned meeting of the board need not be given unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Section 3.9 of these bylaws, to the directors who were not present at the time of the adjournment.

3.14 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Any action required or permitted to be taken by the board of directors may be taken without a meeting, provided that all members of the board individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent and any counterparts thereof shall be filed with the minutes of the proceedings of the board of directors.

3.15 FEES AND COMPENSATION OF DIRECTORS

Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the board of directors. This Section 3.15 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

3.16 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or any of its subsidiaries, including any officer or employee who is a director of the corporation or any of its subsidiaries, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing contained in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.17 SOLE DIRECTOR PROVIDED BY CERTIFICATE OF INCORPORATION

In the event only one director is required by these bylaws or the certificate of incorporation, then any reference herein to notices, waivers, consents, meetings or other actions by a majority or quorum of the directors shall be deemed to refer to such notice, waiver, etc., by such sole director, who shall have all the rights and duties and shall be entitled to exercise all of the powers and shall assume all the responsibilities otherwise herein described as given to the board of directors.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any committee, to the extent provided in the resolution of the board, shall have and may exercise all the powers and authority of the board, but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of

shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the following provisions of Article III of these bylaws:
Section 3.6 (place of meetings; meetings by telephone), Section 3.8 (regular meetings), Section 3.9 (special meetings; notice), Section 3.10 (quorum),
Section 3.11 (waiver of notice), Section 3.12 (adjournment), Section 3.13 (notice of adjournment) and Section 3.14 (board action by written consent without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

4.3 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

ARTICLE V

OFFICERS

5.1 OFFICERS

The Corporate Officers of the corporation shall be a chief executive officer, a president, a secretary and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents (however denominated), one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 ELECTION OF OFFICERS

The Corporate Officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these bylaws, shall be chosen by the board of directors, subject to the rights, if any, of an officer under any contract of employment, and shall hold their respective offices for such terms as the board of directors may from time to time determine.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or may empower the president to appoint, such other Corporate Officers as the business of the corporation may require, each of whom shall hold office for such period, have such power and authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

The president may from time to time designate and appoint Administrative Officers of the corporation in accordance with the provisions of Section 5.6 of these bylaws.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of a Corporate Officer under any contract of employment, any Corporate Officer may be removed, either with or without cause, by the board of directors at any regular or special meeting of the board or, except in case of a Corporate Officer chosen by the board of directors, by any Corporate Officer upon whom such power of removal may be conferred by the board of directors.

Any Corporate Officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the Corporate Officer is a party.

Any Administrative Officer designated and appointed by the president may be removed, either with or without cause, at any time by the president. Any Administrative Officer may resign at any time by giving written notice to the president or to the secretary of the corporation.

5.5 VACANCIES IN OFFICES

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

5.6 ADMINISTRATIVE OFFICERS

In addition to the Corporate Officers of the corporation as provided in
Section 5.1 of these bylaws and such subordinate Corporate Officers as may be appointed in accordance with Section 5.3 of these bylaws, there may also be such Administrative Officers of the corporation as may be designated and appointed from time to time by the president of the corporation. Administrative Officers shall perform such duties and have such powers as from time to time may be determined by the president or the board of directors in order to assist the Corporate Officers in the furtherance of their duties. In the performance of such duties and the exercise of such powers, however, such Administrative Officers shall have limited authority to act on behalf of the corporation as the board of directors shall establish, including but not limited to limitations on the dollar amount and on the scope of agreements or commitments that may be made by such Administrative Officers on behalf of the corporation, which limitations may not be exceeded by such individuals or altered by the president without further approval by the board of directors.

5.7 AUTHORITY AND DUTIES OF OFFICERS

The officers of the corporation shall respectively have such authority and powers and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware as the same now exists or may hereafter be amended, indemnify any person against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit, or proceeding in which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was a director or officer of the corporation. For purposes of

this Section 6.1, a "director" or "officer" of the corporation shall mean any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or
(iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

The corporation shall be required to indemnify a director or officer in connection with an action, suit, or proceeding (or part thereof) initiated by such director or officer only if the initiation of such action, suit, or proceeding (or part thereof) by the director or officer was authorized by the board of directors of the corporation.

The corporation shall pay the expenses (including attorney's fees) incurred by a director or officer of the corporation entitled to indemnification hereunder in defending any action, suit or proceeding referred to in this
Section 6.1 in advance of its final disposition; provided, however, that payment of expenses incurred by a director or officer of the corporation in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should ultimately be determined that the director or officer is not entitled to be indemnified under this Section 6.1 or otherwise.

If a claim for indemnification or payment of expenses under this Article is not paid in full within sixty days after a written claim therefor has been received by the corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

The rights conferred on any person by this Article shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the corporation's Certificate of Incorporation, these bylaws, agreement, vote of the stockholders or disinterested directors or otherwise.

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

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware as the same now exists or may hereafter be amended, to indemnify any person (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit, or proceeding, in which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was an employee or agent of the corporation. The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation,

partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) shall mean any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 INSURANCE

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

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books and other records of its business and properties.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual business hours to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a director.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

7.4 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairman of the board, if any, the president, any vice president, the chief financial officer, the secretary or any assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent and exercise on behalf of this corporation all rights incident to any and all shares of the stock of any other corporation or corporations standing in the name of this corporation. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

7.5 CERTIFICATION AND INSPECTION OF BYLAWS

The original or a copy of these bylaws, as amended or otherwise altered to date, certified by the secretary, shall be kept at the corporation's principal executive office and shall be open to inspection by the stockholders of the corporation, at all reasonable times during business hours.

ARTICLE VIII

GENERAL MATTERS

8.1 RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING

For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted and which shall not be more than sixty (60) days before any such action. In that case, only stockholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided by law.

If the board of directors does not so fix a record date, then the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the applicable resolution.

8.2 CHECKS; DRAFTS; EVIDENCES OF INDEBTEDNESS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.3 CORPORATE CONTRACTS AND INSTRUMENTS: HOW EXECUTED

The board of directors, except as otherwise provided in these bylaws, may authorize and empower any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such power and authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 STOCK CERTIFICATES; TRANSFER; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a certificate signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Certificates for shares shall be of such form and device as the board of directors may designate and shall state the name of the record holder of the shares represented thereby; its number; date of issuance; the number of shares for which it is issued; a summary statement or reference to the powers, designations, preferences or other special rights of such stock and the qualifications, limitations or restrictions of such preferences and/or rights, if any; a statement or summary of liens, if any; a conspicuous notice of restrictions upon transfer or registration of transfer, if any; a

statement as to any applicable voting trust agreement; if the shares be assessable, or, if assessments are collectible by personal action, a plain statement of such facts.

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

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.5 SPECIAL DESIGNATION ON CERTIFICATES

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

8.6 LOST CERTIFICATES

Except as provided in this Section 8.6, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of replacement certificates on such terms and conditions as the board may require; the board may require indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

8.7 TRANSFER AGENTS AND REGISTRARS

The board of directors may appoint one or more transfer agents or transfer clerks, and one or more registrars, each of which shall be an incorporated bank or trust company--either domestic or foreign--who shall be appointed at such times and places as the requirements of the corporation may necessitate and the board of directors may designate.

8.8 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the General Corporation Law of Delaware shall govern the construction of these bylaws. Without limiting the generality of this provision, as used in these bylaws, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both an entity and a natural person.

ARTICLE IX

AMENDMENTS

Any of these bylaws may be altered, amended or repealed by the affirmative vote of a majority of the members of the board of directors or, with respect to bylaw amendments, excluding amendments relating to Sections 2.2, 2.3, 2.9 or Article VI, placed before the stockholders for approval and except as otherwise provided herein or required by law, by the affirmative vote of the holders of a majority of the shares of the corporation's stock entitled to vote, voting as one class, and with respect to bylaw amendments relating to Sections 2.2, 2.3, 2.9 or Article VI, placed before the stockholders for approval and except as otherwise provided herein or required by law, by the affirmative vote of the holders of at least two-thirds of the shares of the corporation's stock entitled to vote, voting as one class.

Whenever an amendment or new bylaw is adopted, it shall be copied in the book of bylaws with the original bylaws, in the appropriate place. If any bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or the filing of the operative written consent(s) shall be stated in said book.

EXHIBIT 10.1

NETFLIX.COM, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is entered into as of _____, ___ by and between NetFlix.com, Inc., a Delaware corporation (the "Company") and _____ ("Indemnitee").

RECITALS

A. The Company and Indemnitee recognize the continued difficulty of obtaining liability insurance for its directors, officers, employees, agents and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.

B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.

D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.

E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. The Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any

threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter an "Indemnifiable Event") against any and all expenses (including attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(c) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitees' obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a

majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(c) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitees to payments of Expenses and Expense Advances under this Agreement or any other agreement or under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 9 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry or investigation referred to in Section (1)(a) hereof or in the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitees' right to be indemnified under this Agreement, give the Company notice

in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitees' power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitees' counsel in any such Claim at Indemnitee expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of

Indemnitee counsel shall be at the expense of the Company. The Company shall have the right to conduct such defense as it sees fit in its sole discretion, including the right to settle any claim against Indemnitee without the consent of the Indemnitee.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action Indemnitee took or did not take while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment
(under any insurance policy, Certificate of Incorporation, Bylaw or otherwise)
of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee are entitled.

6. Mutual Acknowledgement. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be

required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, agents or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. (i) To indemnify Indemnitee for Indemnitee's acts, omissions or transactions from which Indemnitee or the Indemnitee may not be indemnified under applicable law; or (ii) to indemnify Indemnity for Indemnity's intentional acts or transactions in violation of the Company's policies;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse,

heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then outstanding Voting Securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 20% of the total voting power represented by the

Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(c) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee are seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in

the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnifiable Events regardless of whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary of the Company or of any other enterprise at the Company's request.

13. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of Indemnitee material defenses to such action was made in bad faith or was frivolous.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission, with copy by first class mail, postage prepaid, and shall be addressed if to Indemnitee, at the Indemnitee address as set forth beneath Indemnitee signatures to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum for adjudicating such a claim.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NETFLIX.COM, INC.

By:
Title:

Address:

AGREED TO AND ACCEPTED BY:

Signature:_____

Name: _____

Address: _____

EXHIBIT 10.2

NETFLIX.COM, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the 2000 Employee Stock Purchase Plan of NetFlix.com, Inc.

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under
Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company or any committee thereof designated by the Board of Directors of the Company in accordance with Section 14 of the Plan.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" shall mean the common stock of the Company.

(d) "Company" shall mean NetFlix.com, Inc. and any Designated Subsidiary of the Company.

(e) "Compensation" shall mean all base straight time gross earnings and commissions, but exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses and other compensation.

(f) "Designated Subsidiary" shall mean any Subsidiary that has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(g) "Employee" shall mean any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least twenty
(20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

(h) "Enrollment Date" shall mean the first Trading Day of each Offering **Period.**

(i) "Exercise Date" shall mean the first Trading Day on or after April 15 and October 15 of each year.

(j) "Fair Market Value" shall mean, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock for the last market trading day prior to the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board; or

(iv) For purposes of the Enrollment Date of the first Offering Period under the Plan, the Fair Market Value shall be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company's Common Stock (the "Registration Statement").

(k) "Offering Periods" shall mean the periods of approximately twenty-four
(24) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after April 15 and October 15 of each year and terminating on the first Trading Day on or after the April 15 or October 15 Offering Period commencement date approximately twenty-four months later; provided, however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the date on which the Securities and Exchange Commission declares the Company's Registration Statement effective and end on the first Trading Day on or after October 15, 2002. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan.

(l) "Plan" shall mean this 2000 Employee Stock Purchase Plan.

(m) "Purchase Period" shall mean the approximately six month period commencing on one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period shall commence on the Enrollment Date and end with the next Exercise Date.

(n) "Purchase Price" shall mean 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be adjusted by the Board pursuant to Section 20.

(o) "Reserves" shall mean the number of shares of Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option.

(p) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(q) "Trading Day" shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

3. Eligibility.

(a) Any Employee who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries accrues at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods. The Plan shall be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after April 15 and October 15 each year, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 20 hereof; provided, however, that the first Offering Period under the Plan shall commence with the first Trading Day on or after the date on which the Securities and Exchange Commission declares the Company's Registration Statement effective and end on the first Trading Day on or after October 15, 2002. The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without shareholder approval if such change is announced [at least five (5) days] prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office prior to the applicable Enrollment Date.

(b) Payroll deductions for a participant shall commence [on the first payroll following the Enrollment Date and shall end on the last payroll] in the Offering Period to which

such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

6. Payroll Deductions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation which he or she receives on each pay day during the Offering Period.

(b) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may increase or decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Board may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(d) Notwithstanding the foregoing, to the extent necessary to comply with
Section 423(b)(8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be decreased to zero percent (0%) at any time during a Purchase Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Purchase Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee.

7. Grant of Option. On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Employee be permitted to purchase during each Purchase Period more than 1,300 shares of the Company's Common

Stock (subject to any adjustment pursuant to Section 19), and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. The Board may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock an Employee may purchase during each Purchase Period of such Offering Period. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 hereof. Any other monies left over in a participant's account after the Exercise Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Board determines that, on a given Exercise Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Exercise Date, the Board may in its sole discretion (x) provide that the Company shall make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect, or (y) provide that the Company shall make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20 hereof. The Company may make pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's shareholders subsequent to such Enrollment Date.

9. Delivery. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option.

10. Withdrawal.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan. All of the participant's payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. Termination of Employment.

Upon a participant's ceasing to be an Employee, for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's account during the Offering Period but not yet used to exercise the option shall be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under
Section 15 hereof, and such participant's option shall be automatically terminated. The preceding sentence notwithstanding, a participant who receives payment in lieu of notice of termination of employment shall be treated as continuing to be an Employee for the participant's customary number of hours per week of employment during the period in which the participant is subject to such payment in lieu of notice.

12. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be five hundred fifty thousand (550,000) shares plus an annual increase to be added on the first day of the Company's fiscal year beginning in 2001, equal to the lesser of (i) three hundred fifty thousand (350,000) shares, (ii) one percent (1%) of the outstanding shares on such date or (iii) a lesser amount determined by the Board.

(b) The participant shall have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

14. Administration. The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. Transferability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. Reports. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. Adjustments Upon Changes in Capitalization, Dissolution, Liquidation,
Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the Reserves, the maximum number of shares each participant may purchase each

Purchase Period (pursuant to Section 7), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date"), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Board. The New Exercise Date shall be before the date of the Company's proposed dissolution or liquidation. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any Purchase Periods then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date") and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Board of Directors of the Company may at any time and for any reason terminate or amend the Plan. Except as provided in Section 19 hereof, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board of Directors on any Exercise Date if the Board determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its shareholders. Except as provided in Section 19 and this Section 20 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law,

regulation or stock exchange rule), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without shareholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(ii) shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and

(iii) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

21. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such

shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company. It shall continue in effect until terminated under Section 20 hereof.

24. Automatic Transfer to Low Price Offering Period. To the extent permitted by any applicable laws, regulations, or stock exchange rules if the Fair Market Value of the Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of the Common Stock on the Enrollment Date of such Offering Period, then all participants in such Offering Period shall be automatically withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically re-enrolled in the immediately following Offering Period.

EXHIBIT A

NETFLIX.COM, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

SUBSCRIPTION AGREEMENT

_____ Original Application Enrollment Date:_____
_____ Change in Payroll Deduction Rate
_____ Change of Beneficiary(ies)

1. _____ hereby elects to participate in the NetFlix.com, Inc. Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Employee Stock Purchase Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of ____% of my Compensation on each payday (from __ to _____%) during the Offering Period in accordance with the Employee Stock Purchase Plan.
(Please note that no fractional percentages are permitted.)

3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Employee Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.

4. I have received a copy of the complete Employee Stock Purchase Plan. I understand that my participation in the Employee Stock Purchase Plan is in all respects subject to the terms of the Plan. I understand that my ability to exercise the option under this Subscription Agreement is subject to shareholder approval of the Employee Stock Purchase Plan.

5. Shares purchased for me under the Employee Stock Purchase Plan should be issued in the name(s) of (Employee or Employee and Spouse only).

6. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Enrollment Date (the first day of the Offering Period during which I purchased such shares) or one year after the Exercise Date, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were purchased by me over the price which I paid for the shares. I

hereby agree to notify the Company in writing within 30 days after the date of any disposition of my shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise upon the

disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me. If I dispose of such shares at any time after the expiration of the 2-year and 1-year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (2) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Employee Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Employee Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Employee Stock Purchase Plan:

NAME: (Please print)_____

(First) (Middle) (Last)

_____ _____

Relationship

_____

(Address)

Employee's Social Security Number: _____

Employee's Address: _____

_____

_____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated:_____ _____

Signature of Employee

_____

Spouse's Signature (If beneficiary other than spouse)

EXHIBIT B

NETFLIX.COM, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the NetFlix.com, Inc. Employee Stock Purchase Plan which began on _____, _____ (the "Enrollment Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

_____

_____

_____

Signature:

_____

Date:_____

EXHIBIT 10.3

NETFLIX.COM, INC.
AMENDED AND RESTATED 1997 STOCK PLAN

As amended and restated on March 15, 2000

1. Purposes of the Plan. The purposes of this 1997 Stock Plan are:

. to attract and retain the best available personnel for positions of substantial responsibility,

. to provide additional incentive to Employees, Directors and Consultants, and

. to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights may also be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the requirements relating to the administration of stock option plans under U. S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Options or Stock Purchase Rights are, or will be, granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.

(f) "Common Stock" means the common stock of the Company.

(g) "Company" means NetFlix.com, Inc., a Delaware corporation.

(h) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(i) "Director" means a member of the Board.

(j) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(k) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 181st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(n) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(o) "Inside Director" means a Director who is an Employee.

(p) "IPO Effective Date" means the date upon which the Securities and Exchange Commission declares the initial public offering of the Company's common stock as effective.

(q) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(r) "Notice of Grant" means a written or electronic notice evidencing certain terms and conditions of an individual Option or Stock Purchase Right grant. The Notice of Grant is part of the Option Agreement.

(s) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) "Option" means a stock option granted pursuant to the Plan.

(u) "Option Agreement" means an agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(v) "Option Exchange Program" means a program whereby outstanding Options are surrendered in exchange for Options with a lower exercise price.

(w) "Optioned Stock" means the Common Stock subject to an Option or **Stock Purchase Right.**

(x) "Optionee" means the holder of an outstanding Option or Stock Purchase Right granted under the Plan.

(y) "Outside Director" means a Director who is not an Employee.

(z) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(aa) "Plan" means this 1997 Stock Plan.

(bb) "Restricted Stock" means shares of Common Stock acquired pursuant to a grant of Stock Purchase Rights under Section 11 of the Plan.

(cc) "Restricted Stock Purchase Agreement" means a written agreement between the Company and the Optionee evidencing the terms and restrictions applying to stock purchased under a Stock Purchase Right. The Restricted Stock Purchase Agreement is subject to the terms and conditions of the Plan and the Notice of Grant.

(dd) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(ee) "Section 16(b)" means Section 16(b) of the Exchange Act.

(ff) "Service Provider" means an Employee, Director or Consultant.

(gg) "Share" means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

(hh) "Stock Purchase Right" means the right to purchase Common Stock pursuant to Section 11 of the Plan, as evidenced by a Notice of Grant.

(ii) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be optioned and sold under the Plan is 6,952,250 Shares, plus an annual increase to be added on the first day of the Company's fiscal year beginning in 2001, equal to the lesser of (i) 1,550,000 shares, (ii) 5% of the outstanding shares on such date or (iii) a lesser amount determined by the Board. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan, whether upon exercise of an Option or Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares of Restricted Stock are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the Plans hall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Options and Stock Purchase Rights may be granted hereunder;

(iii) to determine the number of shares of Common Stock to be covered by each Option and Stock Purchase Right granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option or Stock Purchase Right granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or Stock Purchase Rights may be exercised (only the Board may determine whether vesting may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions (the Board may not delegate this power), and any restriction or limitation regarding any Option or Stock Purchase Right or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to reduce the exercise price of any Option or Stock Purchase Right to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option or Stock Purchase Right shall have declined since the date the Option or Stock Purchase Right was granted (the Board may not delegate this power);

(vii) to institute an Option Exchange Program (the Board may not delegate this power);

(viii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(ix) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(x) to modify or amend each Option or Stock Purchase Right (subject to Section 15(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan (the Board may not delegate this power);

(xi) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or Stock Purchase Right that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(xii) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option or Stock Purchase Right previously granted by the Administrator;

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options or Stock Purchase Rights.

5. Eligibility. Nonstatutory Stock Options and Stock Purchase Rights may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Limitations.

(a) Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(b) Neither the Plan nor any Option or Stock Purchase Right shall confer upon an Optionee any right with respect to continuing the Optionee's relationship as a Service Provider with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options:

(i) No Service Provider shall be granted, in any fiscal year of the Company, Options to purchase more than 1,500,000 Shares.

(ii) In connection with his or her initial service, a Service Provider may be granted Options to purchase up to an additional 500,000 Shares, which shall not count against the limit set forth in subsection (i) above.

(iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 13.

(iv) If an Option is cancelled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 13), the cancelled Option will be counted against the limits set forth in subsections (i) and (ii) above. For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

7. Term of Plan. Subject to Section 19 of the Plan, the amendment and restatement of the Plan shall become effective upon the IPO Effective Date. It shall continue in effect for a term of ten (10) years from the date of obtaining stockholder approval of the Plan in 2000, unless terminated earlier under
Section 15 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Option Agreement. In the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Option Agreement. Moreover, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator. In the case of a Nonstatutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a merger or other corporate transaction.

(b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions that must be satisfied before the Option may be exercised.

(c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an

Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan;

(vi) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. Unless the Administrator provides otherwise, vesting of Options granted hereunder shall be tolled during any unpaid leave of absence. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives:
(i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Relationship as a Service Provider. If an Optionee ceases to be a Service Provider, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for three (3) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) Disability of Optionee. If an Optionee ceases to be a Service Provider as a result of the Optionee's Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. If an Optionee dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Option Agreement (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquires the right to exercise the Option by bequest or inheritance, but only to the extent that the Option is vested on the date of death. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, at the time of death, the Optionee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall immediately revert to the Plan. The Option may be exercised by the executor or administrator of the Optionee's estate or, if none, by the person(s) entitled to exercise the Option under the Optionee's will or the laws of descent or distribution. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing or electronically, by means of a Notice of Grant, of the terms, conditions and restrictions related to the offer, including the number of Shares that the offeree shall be entitled to purchase, the price to be paid, and the time within which the offeree must accept such offer. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) Repurchase Option. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including death or Disability). The purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the Administrator.

(c) Other Provisions. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

(d) Rights as a Shareholder. Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a shareholder, and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 13 of the Plan.

12. Non-Transferability of Options and Stock Purchase Rights. Unless determined otherwise by the Administrator, an Option or Stock Purchase Right may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option or Stock Purchase Right transferable, such Option or Stock Purchase Right shall contain such additional terms and conditions as the Administrator deems appropriate.

13. Adjustments Upon Changes in Capitalization, Dissolution, Merger or **Asset Sale.**

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option and Stock Purchase Right, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right, as well as the price per share of Common Stock covered by each such outstanding Option or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the

number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Stock Purchase Right.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option until ten (10) days prior to such transaction as to all of the Optioned Stock covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option applicable to any Shares purchased upon exercise of an Option or Stock Purchase Right shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Option or Stock Purchase Right will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company (a "Merger"), each outstanding Option and Stock Purchase Right shall be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation (the "Successor Corporation").

Following such assumption or substitution in connection with a Merger, if the Optionee's status as an Employee or employee of the Successor Corporation, as applicable, is terminated by the Successor Corporation as a result of an Involuntary Termination (as defined below) other than for Cause (as defined below) within twelve months following a Merger, the Optionee shall vest in and have the right to exercise that portion of Optionee's Option or Stock Purchase Right, if any, that would have vested within one year after the date of Optionee's termination. Thereafter, the Option or Stock Purchase Right shall remain exercisable in accordance with Sections 10(b) through (d) above.

For purposes of this section, any of the following events shall constitute an "Involuntary Termination": (i) a significant reduction of the Employee's duties, authority or responsibilities, relative to the Employee's duties, authority or responsibilities as in effect immediately prior to the Merger, or the assignment to Employee of such reduced duties, authority or responsibilities; (ii) a substantial reduction of the facilities and perquisites (including office space and location) available to the Employee immediately prior to the Merger; (iii) a reduction in the base salary of the Employee as in effect immediately prior to the Merger; (iv) a material reduction in the kind or level of employee benefits, including bonuses, to which the Employee was

entitled immediately prior to the Merger with the result that the Employee's overall benefits package is significantly reduced; (v) the relocation of the Employee to a facility or a location more than fifty (50) miles from the Employee's then present location, without the Employee's express written consent; (vi) any purported termination of the Employee by the Successor Corporation which is not effected for Disability or for Cause, or any purported termination for which the grounds relied upon are not valid; (vii) or any act or set of facts or circumstances which would, under California case law or statute constitute a constructive termination of the Employee.

For purposes of this section, "Cause" shall mean (i) any act of personal dishonesty taken by the Employee in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Employee, (ii) the conviction of a felony, (iii) a willful act by the Employee which constitutes gross misconduct and which is injurious to the Successor Corporation, and (iv) following delivery to the Employee of a written demand for performance from the Successor Corporation which describes the basis for the Successor Corporation's belief that the Employee has not substantially performed his duties, continued violations by the Employee of the Employee's obligations to the Successor which are demonstrably willful and deliberate on the Employee's part.

In the event that the Successor Corporation refuses to assume or substitute for the Option or Stock Purchase Right, the Optionee shall fully vest in and have the right to exercise the Option or Stock Purchase Right as to all of the Optioned Stock, including Shares as to which Optionee would not otherwise be vested or exercisable. If an Option or Stock Purchase Right becomes fully vested and exercisable in lieu of assumption or substitution in connection with a Merger, the Administrator shall notify the Optionee in writing that the Option or Stock Purchase Right shall be fully vested and exercisable for a period of fifteen (15) days from the date of such notice, and the Option or Stock Purchase Right shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the Merger, the option or right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the Merger, the consideration (whether stock, cash, or other securities or property) received in the Merger by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Merger is not solely common stock of the Successor Corporation or its Parent, the Administrator may, with the consent of the Successor Corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the Successor Corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Merger.

14. Date of Grant. The date of grant of an Option or Stock Purchase Right shall be, for all purposes, the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

15. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

16. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or Stock Purchase Right unless the exercise of such Option or Stock Purchase Right and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising such Option or Stock Purchase Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

17. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under Applicable Laws.

EXHIBIT 10.4

NETFLIX.COM, INC.

AMENDED AND RESTATED STOCKHOLDERS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED STOCKHOLDERS' RIGHTS AGREEMENT (this "Agreement") is made as of this 13/th/ day of April, 2000 by and among NetFlix.com, Inc., a Delaware corporation (the "Company"), Reed Hastings and Marc Randolph (such individuals collectively, the "Founders" and each a "Founder"), the holders of the Company's Series A Preferred Stock (the "Series A Preferred"), the holders of the Company's Series B Preferred Stock (the "Series B Preferred"), the holders of the Company's Series C Preferred Stock (the "Series C Preferred"), the holders of the Company's Series D Preferred Stock (the "Series D Preferred") and the purchasers of the Company's Series E Non-Voting Preferred Stock ("Series E Preferred") set forth on Exhibit A of that certain Series E Non-Voting Preferred Stock and Warrant Purchase Agreement of even date herewith (the "Purchase Agreement"). The holders of the Series A Preferred, Series B Preferred, Series C Preferred and Series D Preferred shall be referred to hereinafter individually as an "Existing Holder" and collectively as the "Existing Holders". The purchasers of the Series E Preferred shall be referred hereinafter individually as a "Purchaser" and collectively as the "Purchasers." Additional persons may be added as parties to this Agreement as contemplated herein and each such addition will be evidenced by such person's execution of a signature page hereto.

RECITALS

WHEREAS, the Company has granted the Existing Holders registration and certain other rights under the Amended and Restated Stockholders' Rights Agreement dated as of June 22, 1999 (the "Prior Agreement"); and

WHEREAS, the Company proposes to sell and issue up to five million three hundred thirty thousand four hundred ninety (5,330,490) shares of Series E Preferred warrants to purchase up to five hundred thirty-three thousand forty- nine (533,049) shares of Series E Preferred (the "Warrants") pursuant to the Purchase Agreement; and

WHEREAS, as a condition of entering into the Purchase Agreement, the Purchasers have requested that the Company extend to them registration and certain other rights with respect to the Series E Preferred as set forth below, and the Existing Holders are willing to amend the rights given to them pursuant to the Prior Agreement by replacing such rights in their entirety with the rights set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement and in the Purchase Agreement, the parties mutually agree as follows:

1. General

(a) Amendment of Prior Agreement. Certain of the undersigned parties, who constitute the requisite parties necessary to amend the Prior Agreement, hereby agree that effective upon the date hereof, the Prior Agreement is null and void and superseded in all respects by the rights and obligations set forth in this Agreement, and any application of the rights of participation (including any notice requirements) set forth in Section 17 of the Prior Agreement as to the issuance of the Company's Series E Preferred and Warrants and Series E Preferred issuable upon exercise of the Warrants under the Purchase Agreement is hereby waived.

(b) Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission or any successor agency.

"Common Stock" shall mean the Common Stock of the Company.

"Family Member" shall have the meaning ascribed to it in Section 15 hereof.

"Form S-3" means Form S-3 under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the Commission which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the Commission.

"Holder" shall mean any person owning of record Registrable Securities or any transferee of Registrable Securities who, pursuant to Section 15 below, is entitled to registration rights hereunder.

"Restricted Securities" shall have the meaning ascribed to it in
Section 3 hereof.

"Registrable Securities" shall mean (i) shares of the Common Stock issued or issuable upon the conversion of the Shares (including Shares issuable or issued upon exercise of the Warrants); and (ii) Common Stock issued as (or issuable upon conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, securities described in clause (i) above. Notwithstanding the foregoing, Registrable Securities shall not include any securities sold by a person to the public either pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under this Agreement are not assigned.

The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all reasonable out-of-pocket expenses incurred by the Company in complying with Sections 5, 6 and 9 hereof, including, without limitation, the legal fees of one special counsel to the Holders, and all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses, accounting fees of the Company, and the expense of any special audits incident to or required by any such registration.

"Sale of the Company" shall mean when the Company shall sell, convey or otherwise dispose of all or substantially all of its property or business or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or effect any other transaction or series of related transactions in which more than fifty (50%) of the voting power of the Company is disposed of.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the securities registered by the Holders as well as fees and expenses of any special counsel in addition to the one special counsel included in Registration Expenses, if any, to the Holders.

"Shares" shall mean the Company's Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, and Series E Preferred.

2. Restrictions on Transferability. The Restricted Securities shall not be transferable except upon the conditions specified in this Agreement, which conditions are intended, among other things, to ensure compliance with the provisions of the Securities Act and other provisions, contained herein. Each Holder of Restricted Securities will cause any proposed transferee of the Restricted Securities held by such Holder to agree in writing to take and hold such Restricted Securities subject to the provisions and upon the conditions specified in this Agreement and to be bound by this Agreement in the same manner as the transferring Holder. Without limiting the foregoing, a condition to any valid transfer of any Restricted Securities shall be the addition of the transferee to this Agreement and the execution by such transferee of a signature page hereto.

3. Restrictive Legend. Each certificate representing (i) Shares or (ii) Registrable Securities (any such securities listed in the preceding subsections
(i) or (ii), "Restricted Securities"), shall (unless otherwise permitted by the provisions of Section 4 below) be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws or the Purchase Agreement):

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER THE SECURITIES ACT. COPIES OF THE AGREEMENTS COVERING THE PURCHASE OF THESE

SHARES AND RESTRICTING THEIR TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE CORPORATION AT THE PRINCIPAL EXECUTIVE OFFICES OF THE CORPORATION.

4. Notice of Proposed Transfers. The Holder of each certificate representing Restricted Securities by acceptance thereof agrees to comply in all respects with the provisions of this Section 4. Prior to any proposed transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transfer, the Holder thereof shall give written notice to the Company of such Holder's intention to effect such transfer. Each such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall, if the Company so requests, be accompanied (except in transactions in compliance with Rule 144) by an unqualified written opinion of legal counsel who shall be reasonably satisfactory to the Company, addressed to the Company and reasonably satisfactory in form and substance to the Company's counsel, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act, provided, however, that no opinion need be obtained with respect to a transfer to (A) a partner, active or retired, of a Holder of Restricted Securities, (B) the estate of any such partner, (C) an "affiliate" of a Holder of Restricted Securities as that term is defined in Rule 405 promulgated by the Commission under the Securities Act (an "Affiliate"), or (D) the spouse, children, grandchildren or spouse of such children or grandchildren of any Holder or to trusts for the benefit of any Holder or such persons, if the transferee agrees to be subject to the terms hereof. Each certificate evidencing the Restricted Securities transferred as above provided shall bear the appropriate restrictive legend set forth in 3 above, except that such certificate shall not bear such restrictive legend if in the opinion of counsel for the Company such legend is not required in order to establish compliance with any provisions of the Securities Act.

5. Requested Registration.

(a) Request for Registration. If at any time beginning the earlier of (i) June 12, 2004 or (ii) six (6) months after the effective date of the first firm commitment underwritten public offering of equity securities of the Company to the general public (an "IPO"), the Company shall receive from any Holder or group of Holders holding more than fifty percent (50%) of the Registrable Securities then outstanding (any such holder, or group of holders, the "Initiating Holders") a written request that the Company affect any registration, qualification or compliance with respect to Registrable Securities having a reasonably anticipated aggregate offering price to the public, before deduction of underwriter discounts and commissions, of at least $20,000,000, the Company will:

(x) within ten (10) days of receipt thereof, give written notice of the proposed registration, qualification or compliance to all other Holders who are not Initiating Holders; and

(y) as soon as practicable and in any event within sixty (60) days of the receipt of such request, use its reasonable efforts to affect such registration, qualification or

compliance (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act and any other governmental requirements or regulations) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder(s) joining in such request as are specified in a written request received by the Company within thirty (30) days after the date of such written notice from the Company;

Provided, however, that the Company shall not be obligated to take any action to affect any such registration, qualification or compliance pursuant to this Section 5:

(A) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in affecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(B) After the Company has affected two (2) such registrations pursuant to this Section 5(a), such registrations have been declared or ordered effective and the securities offered pursuant to such registrations have been sold; or

(C) During the period starting with the date sixty (60) days prior to the Company's estimated date of filing of, and ending on the date three (3) months immediately following the effective date of, any registration statement pertaining to securities of the Company (other than a registration statement relating to the sale of the Company's securities in connection with a Rule 145 transaction, an employee benefit plan or the IPO), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

Subject to the foregoing clauses (A) through (C), the Company shall file a registration statement covering the Registrable Securities so requested to be registered as soon as practicable after receipt of the request or requests of the Initiating Holders. If, however, the Company shall furnish to the Initiating Holders a certificate signed by the Chief Executive Officer or President of the Company stating that, in the good faith judgment of the Board of Directors of the Company (the "Board of Directors"), it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed and it is therefore advisable to defer the filing of such registration statement, the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided, however, that the Company may not utilize this right more than once in any twelve (12) month period.

(b) Underwriting. If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to
Section 5(a) and the Company shall include such information in the written notice referred to in Section 5(a)(x). The right of any Holder to

registration pursuant to Section 5 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent requested and to the extent provided herein.

The Company shall (together with all Holders proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form with the managing underwriter which managing underwriter shall be selected by the Company. Upon the request of such underwriter, the Company agrees to provide all necessary cooperation in connection with such underwriting including participation in meetings, due diligence sessions, road shows, the preparation of prospectuses and similar documents, and the preparation and delivery of customary certificates or documents. Notwithstanding any other provision of this Section 5, if the managing underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then, subject to the provisions of Section 5(a), the Company shall so advise all Holders and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated among all Holders requesting inclusion in the following priority: (i) the Common Stock (other than shares as to which any person holds contractual rights to inclusion) held by all persons other than the Holders shall first be excluded from such registration and underwriting to the extent required; and
(ii) if a limitation of the number of shares to be included in such registration and underwriting is still required, such limitation shall be allocated among the Holders (including the Initiating Holders), in proportion, as nearly as practicable, to the respective amounts of securities contractually entitled to inclusion (determined without regard to any requirement of a request to be included in such registration) in such registration held by all such Holders at the time of filing the registration statement. No Registrable Securities excluded from the underwriting by reason of the managing underwriter's marketing limitation shall be included in such registration.

If any Holder proposing to participate in an underwriting pursuant to this
Section 5(b) disapproves of the terms of such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company, the managing underwriter and the Initiating Holders. The Registrable Securities and/or other securities so withdrawn shall also be withdrawn from registration; provided, however, that if by the withdrawal of such Registrable Securities a greater number of Registrable Securities held by other Holders may be included in such registration (up to the maximum of any limitation imposed by the underwriters), then the Company shall offer to all Holders who have included Registrable Securities in the registration the right to include additional Registrable Securities in the same proportion used in determining the underwriter limitation in this Section 5(b). If the registration does not become effective due to the withdrawal of Registrable Securities, then either (1) the Holders requesting registration shall reimburse the Company for expenses incurred in complying with the request or (2) the aborted registration shall be treated as affected for purposes of Section 5(a)(B) and Section 9.

6. Company Registration.

(a) Notice of Registration. If the Company shall determine to register any of its securities, either for its own account or the account of a security holder or holders exercising their

respective demand registration rights, other than (i) a registration relating to employee benefit plans or, (ii) a registration relating solely to a Commission Rule 145 transaction, the Company will:

(i) promptly give to each Holder written notice thereof; and

(ii) include in such registration (and any related qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within thirty (30) days after receipt of such written notice from the Company, by any Holder, except as set forth in Section 6(b) below.

(b) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 6(a)(i). In such event the right of any Holder to registration pursuant to Section 6 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and other holders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Section 6, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter may limit the number of Registrable Securities to be included in the registration and underwriting by reducing the number of Registrable Securities included on behalf of the Holders, on a pro-rata basis (or in such other proportions as shall mutually be agreed upon by such Holders), based on the total number of Registrable Securities entitled to registration held by each Holder, but in no event shall the amount of securities of the Holders included in the offering be reduced below ten percent (10%) of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company, in which case the securities of the Holders can be excluded in their entirety; provided, however, that any such limitation or "cutback" shall be first applied to all shares proposed to be sold in such offering other than for the account of the Company which are not Registrable Securities. The Company shall advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto of any such limitations. If any Holder disapproves of the terms of any such underwriting, he may elect to withdraw therefrom by written notice to the Company and the underwriter. Any Registrable Securities excluded or withdrawn from such underwriting shall not be included in such registration.

7. Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Sections 5, 6 and 9 shall be borne by the Company. All Selling Expenses relating to securities registered by the Holders shall be borne by the Holders of such securities pro rata on the basis of the number of shares so registered.

8. Registration Procedures. In the case of each registration, qualification or compliance effected by the Company pursuant to this Agreement, the Company will keep each Holder advised in

writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. At its expense the Company will:

(a) Prepare and file with the Commission a registration statement with respect to such securities and use its reasonable efforts to cause such registration statement to become and remain effective for at least one hundred twenty (120) days or until the distribution described in the registration statement has been completed; provided, however, that such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains from selling any securities included in such registration at the request of an underwriter of Common Stock (or other securities) of the Company;

(b) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(c) Furnish to the Holders participating in such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) Use its reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering; provided that each Holder participating in such underwriting shall also enter into and perform its obligations under such underwriting agreement;

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event known to the Company as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) Cause such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed; and

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Agreement, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Agreement, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

9. Registration on Form S-3. In addition to the rights set forth in Section 5, if the Holders request in writing that the Company file a registration statement on Form S-3 (or any successor form thereto) for a public offering of shares of Registrable Securities the reasonably anticipated aggregate price to the public of which is at least two million dollars ($2,000,000), and the Company is a registrant entitled to use Form S-3 to register securities for such an offering, the Company shall use its reasonable efforts to cause such shares to be registered for the offering on such form (or any successor thereto). The Company will promptly give written notice of the request for the proposed registration to all other Holders and include all Registrable Securities of any Holder or Holders joining in such request as are specified in a written request received by the Company within thirty (30) days after the date of such written notice from the Company. The substantive provisions of Section 5(b) shall be applicable to each registration initiated under this Section 9. Notwithstanding Section 5(a)(B), the Holders shall be entitled to four (4) registrations on Form S-3, but not more than two (2) in any twelve month period.

10. Termination of Registration Rights. Except as provided elsewhere in Agreement, the registration rights granted pursuant to this Agreement shall terminate (i) as to all Holders on the fifth anniversary of the closing of the IPO and (ii) as to any Holder, at such time as such Holder is able to sell all of its Registrable Securities under Rule 144 in a three (3) month period or such Holder is able to sell all Registrable Securities held by it pursuant to Rule 144(k) promulgated under the Securities Act.

11. Indemnification.

(a) The Company will indemnify each Holder, each of its officers, directors and partners and such Holder's legal counsel and independent accountants, and each person controlling such Holder within the meaning of
Section 15 of the Securities Act, with respect to which registration, qualification or compliance has been affected pursuant to this Agreement, and each

underwriter, if any, and each person who controls any underwriter within the meaning of Section 15 of the Securities Act, against all expenses, claims, losses, damages and liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document, or any amendment or supplement thereto, incident to any such registration, qualification or compliance affected pursuant to this Agreement, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, not misleading, or any violation by the Company of any rule or regulation promulgated under the Securities Act applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse each such Holder, each of its officers, directors and partners and such Holder's legal counsel and independent accountants, and each person controlling such Holder, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission contained in any registration statement, prospectus, offering circular or other document or any amendment or supplement thereto, incident to any registration, qualification or compliance affected pursuant to this Agreement, made in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder or underwriter and stated to be specifically for use therein.

(b) Each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being affected, indemnify the Company, each of its directors and officers and its legal counsel and independent accountants, each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of
Section 15 of the Securities Act, and each other such Holder, each of its officers and directors and each person controlling such Holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company, such Holders, such directors, officers, legal counsel, independent accountants, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder and stated to be specifically for use therein; provided, however, that the obligations of any such Holder hereunder shall be limited to an amount equal to the gross proceeds before expenses and commissions to such Holder of Registrable Securities sold as contemplated herein.

(c) Each party entitled to indemnification under this Section 11 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at such party's expense; provided, however, that the Indemnified Party (together with all other Indemnified Parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the Indemnifying Party, if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding; and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement, except to the extent, but only to the extent, that the Indemnifying Party's ability to defend against such claim or litigation is impaired as a result of such failure to give notice. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(d) If the indemnification provided for in paragraphs (a) and (b) of this Section 11 is unavailable or insufficient to hold harmless an Indemnified Party thereunder, then each Indemnifying Party thereunder shall contribute to the account paid or payable by such Indemnified Party as a result of the losses, claims, damages, costs, expenses, liabilities or actions referred to in paragraphs (a) and (b) of this Section 11 in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other in connection with statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Indemnifying Party or the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statements or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this paragraph (d) of Section 11 were to be determined by pro rata or per capita allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this paragraph (d) of Section 11. The amount paid by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this paragraph (d) of Section 11 shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any action or claim which is the subject of this paragraph (d) of Section 11. Promptly after receipt by an Indemnified Party of notice of the commencement of any action against such party in respect of which a claim for contribution may be made against an Indemnifying Party under this paragraph (d) of Section 11, such Indemnified Party shall notify the

Indemnifying Party in writing of the commencement thereof if the notice specified in paragraph (c) of this Section 11 has not been given with respect to such action; provided that the omission so to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party otherwise under this paragraph (d) of Section 11, except to the extent that the Indemnifying Party is actually prejudiced by such failure to give notice. The parties hereto agree with each other and shall agree with the underwriters of the Common Stock of the Company pursuant to the terms hereof, if requested by such underwriters, that (a) the underwriters' portion of such contribution shall not exceed the underwriting discount, commission and other compensation and (b) except for the Company, the amount of such contribution shall not exceed an amount equal to the proceeds received by such Indemnifying Party from the sale of securities in the offering to which the losses, claims, damages or liabilities of the indemnified parties relate. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

12. Lock-up Agreement. In consideration for the Company agreeing to its obligations under this Agreement each Holder of Registrable Securities and each transferee pursuant to Section 15 hereof agrees, in connection with the first registration of the Company's securities, upon request of the underwriters managing such underwritten offering of the Company's securities, not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Registrable Securities or other securities of the Company (other than those included in the registration and securities acquired in open market transactions on or after the effective date of such registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time from the effective date of such registration as the Company or the underwriters may specify, which period shall not exceed one hundred eighty (180) days following the effective date of the IPO; provided, however that (i) all directors, officers and 1% stockholders of the Company agree to the same lockup and (ii) such agreement shall provide that any discretionary waiver or termination of the restrictions of such agreements by the Company or representatives of the underwriters shall apply to all persons subject to such agreements pro rata based on the number of shares subject to such agreements. Each Holder agrees that the Company may instruct its transfer agent to place stop transfer notations in its records to enforce the provisions of this Section 12.

13. Information by Holder. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

14. Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Restricted Securities to the public without registration, after such time as a public market exists for the Common Stock of the Company, the Company agrees to:

(a) Use its reasonable efforts to make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the IPO;

(b) Use its reasonable efforts to then file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Securities Exchange Act of 1934, as amended (at any time after it has become subject to such reporting requirements); and

(c) Furnish to Holders of Registrable Securities forthwith upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the IPO, and of the Securities Act and the Securities Exchange Act of 1934, as amended, (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as a Holder of Registrable Securities may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any such securities without registration.

15. Transfer of Registration Rights. The right to cause the Company to register securities granted hereunder may be assigned to a transferee or assignee who is an affiliate (as that term is defined in Rule 405 promulgated by the Commission under the Securities Act), or who acquires at least two hundred thousand (200,000) shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series E Preferred or the Common Stock issued upon conversion thereof (adjusted for stock splits, reverse stock splits or similar events after the date hereof), provided that the Company is given written notice of such assignment prior to such assignment. In addition, rights to cause the Company to register securities may be freely assigned (a) to any constituent partner or retired partner of a Holder, where such Holder is a partnership, (b) to any officer, director or principal shareholder thereof, where such Holder is a corporation or (c) to the spouse, children, grandchildren or spouse of such children or grandchildren of any Holder or to trusts for the benefit of any Holder or such persons where the Holder is a natural person (each person or entity in this subsection (c), a "Family Member").

16. Information Rights. The Company hereby covenants and agrees as follows:

(a) Annual Financial Information. The Company will furnish to each Holder who holds at least ten percent (10%) of the number of originally issued shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred or Series E Preferred (adjusted for stock splits, reverse stock splits or similar events after the date hereof), as the case may be, as soon as practicable after the end of each fiscal year, and in any event within ninety
(90) days thereafter, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholder's equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and audited and certified by an independent public accounting firm

of nationally recognized standing selected by the Company, and the Company's annual financial plan for the upcoming fiscal year to be in reasonable detail and broken down on a monthly basis.

(b) Monthly Financial Information. Upon written request, the Company will deliver to each Holder who holds at least ten percent (10%) of the number of originally issued shares of Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred or Series E Preferred (adjusted for stock splits, reverse stock splits or similar events after the date hereof), as the case may be, as soon as practicable after the end of each month, and in any event within thirty (30) days thereafter, an unaudited income statement and schedule as to the sources and applications of funds and balance sheet and comparison to prior year results and budget for and as of the end of such month.

(c) Assignment of Rights to Financial Information. The rights to receive information pursuant to this Section 16 may be assigned or otherwise conveyed to any transferee of Shares.

(d) Termination of Information Rights. The information rights set forth in this Section 16 shall expire upon the earlier of (i) the IPO or (ii) the date of a Sale of the Company.

17. Right to Maintain.

(a) In the event the Company desires to sell and issue any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital stock ("New Securities"), then the Company shall first notify each Holder of the material terms of the proposed sale and shall permit each such Holder to acquire, at the time of consummation of such proposed issuance and sale and on such terms as are specified in the Company's notice pursuant hereto, a certain number of the New Securities (such right, the "Right to Maintain"). Each Holder shall have thirty (30) days after the date of such notice to elect by notice to the Company to purchase up to the number of such New Securities available to them pursuant to Section 17(b) below.

(b) The number of New Securities that each Holder may acquire hereunder shall be determined by calculating such number as would result in such Holder maintaining its voting rights in the Company following such proposed issuance of New Securities, on an as-converted, outstanding percentage basis, at the level held by it immediately prior to such issuance of New Securities after giving effect to the anti-dilution protections, if any, set forth in the Company's Certificate of Incorporation. In addition, each Holder shall have a right of over-allotment such that if any Holder fails to exercise its rights hereunder to purchase the maximum number of New Securities which it is entitled to purchase pursuant to the preceding sentence, the other Holders may purchase on a proportional basis (determined with respect to the number of shares which the Holders are entitled to purchase pursuant to the preceding sentence) such shortfall number of New Securities by notice to the Company within the thirty day period after the date of the Company notice pursuant to Section 17(a) above.

(c) Notwithstanding anything in this Section 17, New Securities shall not be deemed to include (and no Right to Maintain shall apply to the issuance of) any securities issued or

issuable (i) to employees, consultants or directors of the Company pursuant to any employee benefit plan; (ii) to banks, building developers or equipment lessors in connection with commercial credit arrangements, equipment financings or similar transactions provided such issuances are for other than primarily equity financing purposes and are approved by the Board of Directors; (iii) in connection with any stock split, dividend or distribution in respect of the Company's capital stock; (iv) in the IPO; (v) upon conversion of the Shares; or (vi) in connection with a Sale of the Company, a business combination, a strategic partnership, a joint venture or a similar transaction, approved by the Board of Directors.

(d) The Right to Maintain for all parties shall terminate and be of no further force or effect upon the earlier of and with respect to (i) the date of the IPO or (ii) the date of a Sale of the Company.

18. Co-Sale Rights. The sale or transfer of any Shares or Common Stock by either Founder to a purchaser other than any Family Member, shall be subject to the Co-Sale Rights set forth in this Section 18 with respect to such sale or transfer. The Co-Sale Rights shall not apply to the sale or transfer of Shares or Common Stock by either of the Founders up to an aggregate of ten percent (10%) of the aggregate holdings of such Founder immediately following the closing of the transactions contemplated by the Purchase Agreement.

(a) Rights Granted. In the event that any Founder proposes to sell or otherwise transfer (a "Selling Founder") any Shares or Common Stock ("Founder Shares") to a purchaser other than any Family Member (a "Proposed Founder Sale"), the Selling Founder shall deliver to each Holder a written notice (a "Founder Co-Sale Notice") stating: (i) his bona fide intention to sell such Founder Shares; (ii) the name of each proposed buyer of such Founder Shares (each a "Proposed Founder Buyer"); (iii) the number of Founder Shares to be transferred to each Proposed Founder Buyer; and (iv) the bona fide cash price or other consideration for which he proposes to transfer the Founder Shares. Each Holder shall have the right, exercisable upon written notice to the Selling Founder within twenty (20) days after receipt of a Founder Co-Sale Notice, to participate in the Proposed Founder Sale pursuant to the specified terms and conditions of such Proposed Founder Sale in the manner described below.

(b) Participation. Each Holder may sell all or any part of that number of Shares (including Common Stock issuable upon conversion thereof), equal to the product obtained by multiplying (i) the number of Founder Shares specified in the Founder Co-Sale Notice by (ii) a fraction, the numerator of which is the number of shares of Registrable Securities held by such Holder immediately prior to the Proposed Founder Sale, and the denominator of which is the total number of shares of Common Stock (including shares of Common Stock issuable upon conversion of shares of Preferred Stock and upon exercise of any option to purchase Common Stock) owned by the Selling Founder, and all of the Existing Holders and Purchasers in the aggregate on the date of the Founder Co- Sale Notice.

(c) Delivery. Each Holder shall effect its participation in the Proposed Founder Sale, if any, by delivering to the Selling Founder for transfer to the Proposed Founder Buyer(s) one

or more certificates, properly endorsed for transfer, which represent the number of Shares (including shares of Common Stock issuable upon conversion thereof) that such Holder elects to sell pursuant to this Section 18.

(d) Price; Payment. The consideration for the Shares transferred to the Selling Founder pursuant to this Section 18 shall be equal to the per share price specified in the Founder Co-Sale Notice or such higher price as the Selling Founder may be paid for such shares. The Selling Founder shall, no later than five (5) days after the closing of the Proposed Founder Sale, remit to each participating Holder the consideration described in the preceding sentence for the Shares transferred pursuant to this Section 18.

(e) Termination. The Co-Sale Rights set forth in this Section 18 shall terminate and be of no further force or effect immediately upon the closing of an IPO which results in aggregate gross proceeds to the Company equal to or in excess of $20,000,000, prior to deduction of underwriting commissions and offering expenses.

(f) If, from time to time during the term of this Agreement, there is any consolidation or merger immediately following which stockholders of the Company hold more than 50% of the voting equity securities of the surviving corporation, then, in such event, any and all new, substituted or additional securities to which any Founder is entitled by reason of his or her ownership of the Founder Shares shall be immediately subject to the provisions of this Agreement and be included in the term "Founder Shares" for all purposes of this Agreement with the same force and effect as the Founder Shares presently subject to this Agreement and with respect to which such securities were distributed.

(g) In the event a Founder sells any Founder Shares in contravention of the Co-Sale Rights of a Holder under this Agreement (a "Prohibited Transfer"), such Holder, in addition to such other remedies as may be available at law, in equity or hereunder, shall have the put option provided in Section 18(h) below, and such Founder shall be bound by the applicable provisions of such put option.

(h) In the event of a Prohibited Transfer, such Holder shall have the right to sell to the Founder who effected the Prohibited Transfer, and, if such right is exercised, the Founder shall have the obligation to purchase from such Holder, a number of Shares (including Common Stock issuable upon conversion thereof) equal to the number of Shares (including Common Stock issuable upon conversion thereof) such Holder would have been entitled to transfer to the purchaser in the Prohibited Transfer pursuant to the terms hereof. Such sale shall be made on the following terms and conditions:

(i) The price per share at which the Shares (including Common Stock issuable upon conversion thereof) are to be sold to the Founder shall be equal to the price per share paid by the purchaser to the Founder in the Prohibited Transfer.

(ii) Within twenty (20) days after the later of the dates on which the Holder (i) received notice from the Founder of the Prohibited Transfer or (ii) otherwise became

aware of the Prohibited Transfer, the Holder shall, if exercising the put option created hereby, deliver to Founder the certificate(s), properly endorsed for transfer, which represent the Shares (including shares of Common Stock issuable upon conversion thereof) to be sold.

(iii) The Founder shall, within ten (10) days of its receipt of the certificate(s) for the Shares to be sold by a Holder pursuant to this Section 18(h), pay the aggregate purchase price therefor by certified check or bank draft or by wire transfer made payable to the order of such Holder.

(iv) NOTWITHSTANDING THE FOREGOING, ANY ATTEMPT TO TRANSFER SHARES OF THE COMPANY IN VIOLATION OF SECTION 18 HEREOF SHALL BE DEEMED NULL AND VOID AND THE COMPANY AGREES IT WILL NOT EFFECT SUCH A TRANSFER NOR WILL IT TREAT ANY ALLEGED TRANSFEREE AS THE HOLDER OF SUCH SHARES WITHOUT THE WRITTEN CONSENT OF A MAJORITY IN INTEREST OF THE HOLDERS. THE COMPANY AND THE FOUNDERS AGREE THAT ANY AND ALL CERTIFICATES REPRESENTING ANY FOUNDER SHARES HELD FROM TIME TO TIME DURING THE TERM OF THIS AGREEMENT SHALL BEAR A LEGEND REFERRING TO THE RESTRICTIONS IMPOSED BY THIS AGREEMENT.

(v) Each Founder agrees that the Company may instruct its transfer agent to impose transfer restrictions on the Founder Shares represented by certificates bearing the legend referred to in Section 18(h)(iv) to enforce the provisions of this Agreement. The legend shall be removed upon termination of the Co-Sale Rights herein.

19. Governing Law. This Agreement and the legal relations between the parties arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California. The parties hereto agree to submit to the exclusive jurisdiction and venue of the United States District Court for the Northern District of California with respect to the breach or interpretation of this Agreement or the enforcement of any and all rights, duties, liabilities, obligations, powers, and other relations between the parties arising under this Agreement.

20. Entire Agreement. This Agreement constitutes the full and entire understanding and agreement between the parties regarding rights to registration. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

21. Notices, etc. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given upon delivery to the party to be notified in person or by courier service, by facsimile upon proper confirmation of receipt, or five (5) days after deposit with the United States mail, by registered or certified mail, postage prepaid, addressed (a) if to a Holder, to such holder's address or addresses set forth below or at such other address as such holder shall have furnished to the Company in writing, (b) if to any other holder of any Registrable Securities, to such address as such holder shall have furnished the Company in writing, or, until any such holder so furnishes an address to the Company, then to the address of the last holder of such

securities who has so furnished an address to the Company, or (c) if to the Company, to its address set forth below, to the attention of the Corporate Secretary, or at such other address as the Company shall have furnished to the Holders.

22. Counterparts. This Agreement may be executed in any number of counterparts, each of which may be executed by less than all of the parties hereto, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one and the same instrument.

23. Amendment. Any provision of this Agreement may be amended, waived or modified only upon the written consent of each of the following (i) the Company; and (ii) the holders of 50% or more of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 23 shall be binding upon each Holder, the Founders and the Company; provided, however, that with respect to the amendment of any provision hereunder that solely affects the rights of a specific class of stockholders, only the consent of the Company and the holders of not less than a majority of the then outstanding shares of such class or group, as the case may be, shall be required to amend such provision. Any Holder may waive any of his or her rights or the Company's obligations hereunder without obtaining the consent of any other person.

24. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

25. Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

26. Aggregation of Stock. All shares of Registrable Securities held or acquired by affiliated entities or affiliated persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Amended and Restated Stockholders' Rights Agreement as of the date set forth above.

"COMPANY"

NETFLIX.COM, INC.
a Delaware Corporation

By:_____

Name:_____

Title:_____

"FOUNDERS"

By:_____

Name:_____

Title:_____

SERIES A PREFERRED HOLDERS

STEPHEN J. KAHN and KAREN B. HENKEN,
tees KAHN/HENKEN T/A dtd 8/29/95
By:_____

Name:_____

Title:_____

Muriel Randolph

_____

Steven J. Rosston and Louisa R.H. La Farge,
Community Property

By:_____

Name:_____

Title:_____

Richard Schell

_____

WS Investment Company 97B

By:_____

Name:_____

Title:_____

SERIES B PREFERRED HOLDERS

Institutional Venture Partners VIII, L.P., by its General Partner Institutional Venture Management VIII, LLC

Name:_____

IVM Investment Fund VIII, LLC, by its Manager Institutional Venture Management VIII, LLC

Name:_____

IVM Investment Fund VIII-A, LLC, by its Manager Institutional Venture Management VIII, LLC

Name:_____

IVP Founders Fund I, L.P., by its General Partner Institutional Venture Management VI, L.P.

Name:_____

WS Investment Company 98A

By: _____

Name: _____

Title: _____

John Mark Box, Trustee of the MARKBOX LIVING TRUST U/A dated December 5, 1995, as amended

By:_____

Name:_____

Title:_____

Muriel Randolph

_____

Joan and Wil Hastings

_____

STEPHEN J. KAHN and KAREN B. HENKEN
tees KAHN/HENKEN T/A dtd 8/29/95

By:_____

Name:_____

Title:_____

Steven J. Rosston and Louisa R.H. La Farge,
Community Property

By:_____

Name:_____

Title:_____

Christopher McLeod and Jessica Abbe

_____

Peter C. Gotcher

_____

SERIES C PREFERRED HOLDERS

Foundation Capital II, L.P.

By: Foundation Capital Management II, LLC Its: Manager

By: _____ Name:
Title:

Foundation Capital II Entrepreneurs Fund, LLC

By: Foundation Capital Management II, LLC Its: Manager

By: _____ Name:
Title:

Foundation Capital II Principals Fund, LLC

By: Foundation Capital Management II, LLC Its: Manager

By: _____ Name:
Title:

TCV II, V.O.F.
a Netherlands Antilles General Partnership

By: Technology Crossover Management II, L.L.C. Its: Investment General Partner

By: _____ Name: Carla S. Newell
Title: Attorney-In-Fact

Technology Crossover Ventures II, L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: General Partner

By: /s/ Carla S. Newell
Name: Carla S. Newell
Title: Attorney-In-Fact

TCV II (Q), L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: General Partner

By: /s/ Carla S. Newell
Name: Carla S. Newell
Title: Attorney-In-Fact

TCV II Strategic Partners, L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: General Partner

By: /s/ Carla S. Newell
Name: Carla S. Newell
Title: Attorney-In-Fact

Technology Crossover Ventures II, C.V.
a Netherlands Antilles Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: Investment General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

Institutional Venture Partners VIII, L.P.

By: Institutional Venture Management VIII, LLC Its: General Partner

By: _____
Name:
Title: Managing Director

IVM Investment Fund VIII, LLC

By: Institutional Venture Management VIII, LLC Its: General Partner

By: _____
Name:
Title: Managing Director

Reed Hastings

Muriel Randolph

Joan Hastings

Wil Hastings

Robert D. Sanchez

STEPHEN J. KAHN and KAREN B. HENKEN, tees KAHN/HENKEN T/A
dtd 8/29/95

By

Name

Title

Hastings 1996 Irrevocable Trust

By

Name

Title

WS Investment Company 99A

By:

Name:

Title:

Comdisco, Inc.

By:

Name:

Title:

SERIES D PREFERRED HOLDERS

TCV II, V.O.F.
a Netherlands Antilles General Partnership

By: Technology Crossover Management II, L.L.C. Its: Investment General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

Technology Crossover Ventures II, L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

TCV II (Q), L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

TCV II Strategic Partners, L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: Investment General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

Technology Crossover Ventures II, C.V.
a Netherlands Antilles Limited Partnership

By: Technology Crossover Management II, L.L.C.
Its: Investment General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

Foundation Capital II, L.P.

By: Foundation Capital Management II, LLC
Its: Manager

By: _____
Name:
Title:

Foundation Capital II Entrepreneurs Fund, LLC

By: Foundation Capital Management II, LLC
Its: Manager

By: _____
Name:
Title:

Foundation Capital II Principals Fund, LLC

By: Foundation Capital Management II, LLC
Its: Manager

By: _____
Name:
Title:

Europe@web B.V.

By: _____
Name:
Title:

Anantha Srirama

_____

SERIES E PREFERRED HOLDERS

TCV II, V.O.F.
a Netherlands Antilles General Partnership

By: Technology Crossover Management II, L.L.C. Its: Investment General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

Technology Crossover Ventures II, L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

TCV II (Q), L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

TCV II Strategic Partners, L.P.
a Delaware Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: Investment General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

Technology Crossover Ventures II, C.V.
a Netherlands Antilles Limited Partnership

By: Technology Crossover Management II, L.L.C. Its: Investment General Partner

By: _____
Name: Carla S. Newell
Title: Attorney-In-Fact

Randolph B. Randolph

Muriel Randolph

TCV IV, L.P.
a Delaware Limited Partnership
By: Technology Crossover Management IV, L.L.C., Its: General Partner

By: _____
Name: Carla S. Newell
Title: Attorney in Fact

Institutional Venture Partners VIII, L.P. By: Institutional Venture Management VIII, LLC Its: General Partner

By: _____
Name: Timothy M. Haley
Title: Managing Director

IVM Investment Fund VIII, LLC
By: Institutional Venture Management VIII, LLC Its: Manager

By: _____
Name: Timothy M. Haley
Title: Managing Director

Foundation Capital II, L.P.

By: Foundation Capital Management II, LLC Its: Manager

By: _____
Name:
Title:

Foundation Capital II Entrepreneurs Fund, LLC

By: Foundation Capital Management II, LLC Its: Manager

By: _____
Name:
Title:

Foundation Capital II Principals Fund, LLC

By: Foundation Capital Management II, LLC Its: Manager

By: _____
Name:
Title:

TCV Franchise Fund, L.P.
a Delaware Limited Partnership
By:
Its:

By: _____
Name:

Title:

EXHIBIT 10.5

This Sublease (Sublease) is made this 4th day of January, 1999 by and between HI/FN, Inc., a Delaware corporation ("Sublandlord") and NETFLIX.COM, Inc. a California corporation ("Subtenant").

RECITALS

A. Sublandlord, as Tenant, is leasing from 750 University, a Limited Liability Corporation (Landlord) those certain premises located at 750 University Avenue, Los Gatos, California (Premises) pursuant to that certain lease dated November 13, 1997 (Master Lease). Subtenant acknowledges having received and reviewed a copy of the Master Lease.

B. Sublandlord desires to lease to Subtenant and Subtenant desires to lease from Sublandlord a portion of the Premises consisting of approximately eleven thousand eight hundred and fourteen (11,814) rentable square feet, located on the ground floor (the Sublease Premises") as shown on Exhibit E attached hereto, on the terms and conditions set forth in this Sublease.

NOW, THEREFORE, the parties hereto agree as follows:

1. PREMISES.

Sublandlord leases to Subtenant and Subtenant hires from Sublandlord the Sublease Premises, together with the appurtenances thereto.

2. INCORPORATION OF MASTER LEASE.

This Sublease is subject to all of the terms and conditions of the Master Lease and Subtenant hereby accepts, assumes and agrees to perform during the term of this Sublease all of the obligations of Sublandlord as Tenant under the Master Lease to the extent applicable to the Sublease Premises and all of the terms and conditions of this Sublease. The terms and conditions of the Master Lease are incorporated in this Sublease, except that (i) unless stated to the contrary below, each reference in the incorporated paragraphs to "Lease" shall be deemed a reference to this "Sublease", each reference to the "Landlord" shall be deemed a reference to the "Sublandlord", each reference to the "Tenant" shall be deemed a reference to the "Subtenant", each reference to the "Premises" shall be deemed a reference to the "Sublease Premises", each reference to the "Term" shall be deemed a reference to the "Sublease Term", each reference to the "Rent" shall be deemed a reference to the "Rent" as described in Section 6 of this Sublease, and (ii) the following terms and conditions of the Master Lease shall be excluded or modified as follows: the first and second sentences of the first paragraph of the recitals, Paragraphs 1, 2, 3, 4, 5, 7, 8, 9, and 11 of the Summary of Lease, and Paragraphs 2, 3, 4, 5, the last sentence of the third paragraph of Paragraph 8, the last sentence of the first

paragraph of Paragraph 9, the fourth sentence of the third paragraph of Paragraph 11, the last sentence of the first paragraph and the entire last paragraph of 12, 13, the last sentence of the last paragraph of Paragraph 15, 22, the first sentence of Paragraph 27, the second and third sentences of the second paragraph of Paragraph 29, 37, 47, the entire second paragraph of Paragraph 49, 51, 52, 54, 55, 56, 57, and the Lease Guaranty, Exhibits A, C, C-1 and D of the Master Lease are not incorporated herein, and each reference to Landlord in Sections 15, 16, 21, 30, 35 and 36 shall be deemed to refer to Landlord only and not to Sublandlord.

Subtenant shall not commit or permit to be committed on the Sublease Premises any act or omission which shall violate any term or condition of the Master Lease incorporated herein or modified hereby. In the event of the termination for any reason of Sublandlord's interest as Tenant under the Master Lease, then this Sublease shall terminate therewith without any liability of Sublandlord to Subtenant; except that if this Sublease terminates as a result of a default of one of the parties hereto, whether under this Sublease, the Master Lease, or both, the defaulting party shall be liable to the non-defaulting party for all damages suffered by the non- defaulting party resulting from such termination.

3. SUBLANDLORD'S OBLIGATIONS.

Sublandlord agrees that Subtenant shall be entitled to receive all services and repairs to be provided by Landlord to Sublandlord as tenant under the Master Lease with respect to the Sublease Premises. Sublandlord covenants and agrees with Subtenant that Sublandlord shall perform all other obligations of Tenant pursuant to the Master Lease to the extent that failure to perform the same would adversely affect Subtenant's use or occupancy of the Sublease Premises. Sublandlord also agrees that Sublandlord will act as a conduit to transmit any instructions or requests by Subtenant to Landlord.

4. TERM.

The term of this Sublease shall be for a period of twenty-four (24) months commencing on the date that is the later of (i) February 1, 1999 or (ii) the date Sublandlord delivers to Subtenant possession of the Sublease Premises in broom clean condition with all approvals and permits from the appropriate governmental authorities required for the legal occupancy of the Sublease Premises for Sublessee's intended use (the "Commencement Date") and ending on January 31, 2001 (the "Sublease Term,") In the event Sublandlord is unable to deliver possession of the Sublease Premises at the commencement of the Sublease Term, with the voice and data wiring referred to in. Exhibit G installed by Sublandlord, Sublandlord shall not be liable for any damage caused thereby, nor shall this Sublease be void or voidable nor shall the term hereof be extended by such delay; provided, however, that Subtenant shall not be liable for rent until such time as Sublandlord offers to deliver possession of the Sublease Premises to Subtenant. Notwithstanding anything to the contrary herein, if the Commencement Date has not occurred prior to March 1, 1999, then, in addition to Subtenant's other rights and remedies. Subtenant may terminate the Sublease by written notice to Sublandlord,

whereupon any monies previously paid by Subtenant to Sublandlord shall be reimbursed to Subtenant.

5. USE.

Subtenant shall use the Sublease Premises for general office and research and development and for no other purpose.

6. RENTAL.

(a) Subtenant shall pay to Sublandlord as rent for the Sublease Premises, in advance, on the first day of each calendar month during the Sublease Term, without deduction, offset, prior written notice or demand; in lawful money of the United States, the sum of Thirty-six Thousand Six Hundred Twenty-three and 40/100ths Dollars ($36,623.40) (see Rent Schedule, "Exhibit F"). If the Commencement Date is not the first day of the month, a prorated monthly installment shall be paid at the then current rate for the fractional month during which the Sublease commences.

(b) Except as provided in subparagraph (a) above, on or before the Commencement Date, Subtenant shall pay Sublandlord the sum of Thirty-six Thousand Six Hundred Twenty-three and 40/100ths Dollars ($36,623.40) as rent for the first month of the Sublease Term.

(c) Concurrently with Subtenant's execution of this Sublease, Subtenant shall deposit with Sublandlord the sum of Seventy-three Thousand Two Hundred Forty-six and 80/100ths Dollars ($73,246.80) as a non-interest bearing security deposit for Subtenant's performance under this Sublease. Within thirty (30) days after Subtenant has vacated the Sublease Premises at the expiration or earlier termination of the Sublease Term, the amount paid as security deposit shall be returned to Subtenant after first deducting any sums that are needed by Sublandlord to cure defaults of Subtenant under this Sublease or compensate Landlord for damages for which Subtenant is liable pursuant to this Sublease.

7. SURRENDER AT END OF TERM.

Subtenant agrees to surrender the Sublease Premises on expiration or earlier termination of the Sublease Term, in the same condition and repair as received on the Commencement Date, acts of God, condemnation, casualty, hazardous materials not released by Subtenant, and reasonable wear and tear excepted. In addition, on or prior to the expiration or earlier termination of this Sublease, at Sublandlord's option, Subtenant shall remove, at Subtenant's sole cost and expense, all telephone, other communication, computer and any other cabling and wiring or any sort installed in the space above the suspended ceiling of the Sublease Premises or anywhere else in the Sublease Premises and shall promptly repair any damage to the suspended ceiling, lights, light fixtures, walls and any other part of the Sublease Premises resulting from such removal.

8. LANDLORD'S WRITTEN CONSENT.

This Sublease is conditioned upon and effective only upon obtaining the written consent of Landlord. Sublandlord shall use reasonable efforts to obtain Landlord's consent as soon as possible. If, however, Landlord's consent has not been obtained by February 1, 1999, then Subtenant shall have the right to terminate this Sublease, in which event Sublandlord shall promptly refund to Subtenant all amounts theretofore paid by Subtenant hereunder.

9. NOTICES.

All notices and demands of any kind given by Sublandlord or Subtenant hereunder shall be in writing and sent by the United States mail, postage prepaid, by overnight courier or by personal delivery. All such notices and demands shall be addressed to Sublandlord or Subtenant, as the case may be, at the addresses set forth below their respective signatures or at such other addresses as they may designate from time to time, and shall be effective upon receipt.

10. INSURANCE.

Insurance requirements pertaining to Sublandlord as Tenant under Paragraph 11 of the Master Lease shall also apply to Subtenant.

11. BROKER.

Sublandlord and Subtenant represent and warrant to each other that, with the exception of Mike Filice of CPS, the Commercial Property Services Company, and Bob Shepherd of Colliers International, no brokers were involved in connection with the negotiation or consummation of this Sublease. Each party agrees to indemnify the other, and hold it harmless, from and against any and all claims, damages, losses, expenses and liabilities (including reasonable attorney's fees) incurred by said party as a result of a breach of this representation and warranty by the other party. Sublandlord shall pay all commissions due and owing to CPS and Colliers International arising out of and in connection with the Sublease.

12. SIGNAGE.

Sublandlord shall use reasonable efforts to provide Subtenant with Project directory signage reasonably satisfactory to Subtenant.

13. SUBLANDLORD'S COVENANTS.

Sublandlord shall (i) keep the Master Lease in effect; (ii) not modify, amend or waive any provisions thereof or make any election, exercise any option, right or remedy, or grant any consent or approval thereunder without, in each instance, Subtenant's prior written

consent; (iii) pay the rent due and perform all of Sublandlord's other obligations under the Master Lease, except to the extent that Subtenant is obligated to perform such other obligations under the Sublease; (iv) not take any action or omit to take any action that could cause or constitute a breach of the Master Lease or otherwise give rise to a right of Landlord to terminate the Master Lease or declare any provision thereof to have become ineffective; (v) enforce performance of all obligations of Landlord under the Master Lease; and (vi) immediately send Subtenant copies of any notices received by Sublandlord from Landlord that could affect Subtenant's use of the Sublease Premises or rights under the Sublease, including, without limitation, any notices of default under the Master Lease. In enforcing performance of all such obligations of Landlord, Sublandlord shall, upon Subtenant's written request, immediately notify Landlord of its nonperformance under the Master Lease and request that Landlord perform its obligations under the Master Lease.

14. SUBLANDLORD'S REPRESENTATIONS AND WARRANTIES.

(a) As an inducement to Subtenant to enter into this Sublease, Sublandlord represents and warrants that (i) the form of the Master Lease as Exhibit "A" is true, correct and complete and has not been modified in any respect; and (ii) to the best of Sublandlord's knowledge, both the Master Lease is in full force and effect, and there exists no default or event of default under the Master Lease by either Landlord or Sublandlord, nor has there occurred any event which, with the giving of notice or the passage of time or both, could constitute such a default or event of default.

(b) In addition, Sublandlord warrants and represents that, as of the Commencement Date, (i) the Sublease Premises will comply with all applicable laws, rules, regulations, codes, ordinances, underwriters' requirements, covenants, conditions, and restrictions, (ii) the Sublease Premises will be in good and clean operating condition and repair, and (iii) the electrical, mechanical, HVAC, plumbing, sewer, elevator and other systems serving the Sublease Premises will be in good operating condition and repair. Sublandlord shall, promptly after receipt of notice from Subtenant, remedy or cause to be remedied any non-compliance with such warranty at Sublandlord's sole cost and expense.

15. ADDITIONAL RENT.

This is a full-service gross sublease. Subtenant's only obligation with regard to the repair and maintenance of the Sublease Premises shall be to keep the Sublease Premises in a clean and sanitary condition. Sublandlord shall, at Sublandlord's sole cost, maintain the Sublease Premises and all systems serving the Sublease Premises in good working condition and repair throughout the Sublease Term. Subtenant's base rent constitutes the entire consideration payable by Subtenant. Under no circumstances shall Subtenant be obligated to pay any items of additional rent required to be paid under the Master Lease, including, without limitation, Direct Expenses, rent escalation charges, common area

maintenance charges, real estate taxes, or insurance charges (as defined in Paragraphs 4 and 5 of the Master Lease).

16. ABATEMENT OF RENT.

Subtenant shall be entitled to, and benefit from, any rental abatement granted Sublandlord under the Master Lease, but only to the extent that such abatement relates to the Sublease Premises.

17. WAIVER OF SUBROGATION.

Notwithstanding anything to the contrary contained in the Sublease or the Master Lease, the parties hereto, including Landlord by reason of its consent hereto, each release the others and their respective agents, employees, successors, assignees and subtenants from all liability for injury or damage to any property to the extent specified in Paragraph 11 of the Master Lease.

18. INDEMNITY.

Except to the extent caused by any default of Subtenant, its agents, employees, contractors or invitees, Sublandlord shall indemnify, defend with counsel reasonably acceptable to Subtenant, and hold Subtenant harmless from and against any and all losses, costs, claims, liabilities and damages (including, without limitation, reasonable attorneys' and experts' fees) caused by or arising in connection with (i) a breach of Sublandlord's obligations under the Sublease; (ii) a breach of Sublandlord's obligations under the Master Lease, unless cause by Subtenant's breach of its parallel obligations under the Sublease; or (iii) the negligence or willful misconduct of Sublandlord, its employees, contractors, agents or invitees.

19. APPROVALS.

Whenever the Sublease requires an approval, consent, designation, determination, selection or judgment by either Sublandlord or Subtenant, such approval, consent, designation, determination, selection or judgment and any conditions imposed thereby shall be reasonable and shall not be unreasonably withheld or delayed and, in exercising any right or remedy hereunder, each party shall at all times act reasonably and in good faith.

20. REASONABLE EXPENDITURES.

Any expenditure by a party permitted or required under the Sublease, for which such party is entitled to demand and does demand reimbursement from the other party, shall be limited to the fair market value of the goods and services involved, shall be reasonably incurred, and shall be substantiated by documentary evidence available for inspection and review by the other party or its representative during normal business hours.

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease as of the date first set forth above.

SUBLANDLORD:	SUBTENANT:
HI/FN, INC., a Delaware corporation	NETFLIX.COM. INC., a California corporation
By: /s/ R. J. Farnham	By: /s/ Rood Hastings
Name: R. J. Farnham	Name: Rood Hastings
Its: President	Its: President
Date: 1-6-99	Date: 3 JAN 98
By: /s/ William R. Walker	By: /s/ Marc Randolph
Name: William R. Walker	Name: Marc Randolph
Its: Secretary	Its: Secretary
Date: JAN 6 1999	Date: 5 Jan 98

LANDLORD'S CONSENT TO SUBLEASE

THIS CONSENT (Consent) is given by 750 University, a Limited Liability Corporation (Landlord) to that certain Sublease dated January 4, 1999, (the Sublease) by and between HI/FN, Inc., a Delaware corporation ("Sublandlord") and NETFLIX.COM, Inc, a California corporation ("Subtenant"), subject to the following terms and conditions:

1. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Sublease.

2. Landlord is not a party to the Sublease and has no obligations or duties to Subtenant or Sublandlord under the Sublease and any provisions therein purporting to obligate and/or bind Landlord or limit Landlord's rights under the Master Lease in any way are deemed null and void. Notwithstanding any provision to the contrary in the Sublease, Subtenant shall have no greater rights than Sublandlord has as Tenant under the Master Lease.

3. This Consent shall only apply to this Sublease and shall not be deemed to be a consent to any other or further sublease or a waiver of any of the provisions of the Master Lease.

4. By consenting to the Sublease, Landlord waives none of its rights against the Sublandlord as Tenant under the Master Lease. The Sublease is and shall remain at all times subject to and subordinate in all respects to the Lease.

5. This Consent shall not modify or amend or be deemed to modify or amend the Master Lease in any way, or to impose on Landlord any obligation to provide notice to, or obtain consent from, Subtenant with respect to amendments, defaults, waivers or any other matters pertaining to the Master Lease or to the Premises covered by the Master Lease. Any waiver by Landlord of its rights shall be made only in writing and signed by Landlord.

6. Upon the expiration or earlier termination of the Master Lease, the Sublease shall automatically and without notice or demand, terminate and Subtenant agrees promptly to surrender the Sublease Premises to Landlord upon such termination without compensation from Landlord.

7. This Consent shall not be effective until receipt by Landlord of a counterpart or counterparts of this Consent duly executed by Sublandlord and Subtenant, each acknowledging its agreement to the terms and conditions specified in this Consent.

8. Notwithstanding anything to the contrary herein, Landlord specifically agrees to paragraph 17 of the Sublease entitled "Waiver of Subrogation."

LANDLORD
750 University, a Limited Liability Corporation

By: /s/ Birk S. McCandless	*By: /s/ Barry McCarthy*
Name: Birk S. McCandless	*Name: _____*
Its: President	*Its: Secretary*
Date: 1/11/99	*Date: _____*

EACH OF THE UNDERSIGNED HEREBY ACKNOWLEDGE THAT IT HAS READ AND UNDERSTANDS THE TERMS AND CONDITIONS SPECIFIED IN THE FOREGOING CONSENT AND AGREES TO ALL SUCH TERMS AND CONDITIONS.

SUBLANDLORD	SUBTENANT
HI/FN, INC., a Delaware corporation	NETFLIX.COM. INC., a California corporation
By: /s/ R.J. Farnham	By: /s/ Reed Hastings
Name: R.J. Farnham	Name: Reed Hastings
Its: President	Its: President
Date: 1-6-99	Date: 3 JAN 98
By: /s/ William R. Walker	By: /s/ Marc Randolph
Name: William R. Walker	Name: Marc Randolph
Its: Secretary	Its: Secretary
Date: JAN 9 1999	Date: 5 Jan 98

EXHIBIT 10.6

THIS LEASE IS NOT TO BE CONSTRUED AS AN OFFER AND IS NOT BINDING ON BARRISTER EXECUTIVE SUITES, INC. UNTIL IT IS SIGNED BY AN OFFICER OF BARRISTER EXECUTIVE SUITES, INC.

LEASE AGREEMENT

THIS LEASE is made on MARCH 31, 2000 between Barrister Executive Suites, Inc. a California Corporation (hereinafter referred to as "Lessor"), and NETFLIX.COM, INC. _____ (hereinafter referred to as "Lessee")

Lessor has entered into a master lease for the floor (the "Suite") described below:

Floor or Suite Number:	5th Floor OR Suite 500
Name of Building:	Computax Tower
Address:	21250 Hawthorne Boulevard
City and State:	Torrance, California 90503

This Lease is subordinate to the lease with the Building ("Master Lease") dated February 18, 1987 (as amended).

Lessee desires to lease from Lessor a certain portion of the Suite for the purposes of conducting Lessee's business together with rights in common to the "common areas" of the Suite.

In consideration of the covenants and promises each to the other made herein, the parties hereto agree as follows:

1. LEASED PREMISES. Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor portions of the Suite described below (the "Premises") and on the floor plan attached hereto as Exhibit A. In addition to the exclusive use of the Premises. Lessee shall have the non-exclusive right in common with Lessor's other lessees to use all common areas and facilities available in the Suite. Except as otherwise agreed to in writing. Lessee takes the Premises in an "as is" condition.

(a) Office No(s). #5

(b) Desk Space No(s):_____

Lessee shall be prohibited from using or occupying any premises other than those premises designated in this Lease as the Premises. In the event that Lessee uses or occupies any space other than the Premises without Lessor's written consent. Lessee shall pay Lessor a sum designated by Lessor for the unauthorized use of said space.

2. TERM. Except as it may be modified by the applicable provisions of this Agreement, the term of this Lease shall be for a period of 6 months, commencing on APRIL 17, 2000, and expiring on OCTOBER 31, 2000. If the term commences on a day other than the first of the month, the term shall expire on the last day of the month identified herein, provided at least two (2) full calendar months advance written notice of termination has been provided to Lessor in the manner described in section 3 of this Lease.

* PLUS 14 (FOURTEEN DAYS)

In the event the Premises are not ready for occupancy on the commencement date, this Lease shall remain in full force and effect provided Lessor makes the Premises available for occupancy within forty-five (45) days of the scheduled commencement date. In such case all rent shall be abated until Lessor makes the Premises available for occupancy. Lessor shall not be liable to Lessee for any loss or damage arising from any delays: Lessee's sole remedy shall be the right to cancel this Lease in the event Lessor fails to deliver possession of the Premises as set forth herein. Lessee is advised that any floor plans provided by Lessor are not to scale, the measurements are not always accurate, and the Premises are not always built exactly as shown on the floor plans.

3. LEASE TERMINATION, Either party may terminate this Lease at the expiration date set forth herein by giving two (2) calendar months advance written notice effective on the expiration date set forth on page one (1) of this Lease. If neither party sends written notice of termination to the other party two (2) calendar months in advance of the expiration date, this Lease shall automatically become a month-to-month agreement REQUIRING AT LEAST TWO (2) FULL CALENDAR MONTHS ADVANCE WRITTEN NOTICE TO TERMINATE THE LEASE, EFFECTIVE THE END OF THE SECOND FULL CALENDAR MONTH. IF THE LEASE HAS EXPIRED AND BECOME A MONTH-TO-MONTH AGREEMENT, OR IF THE ORIGINAL TERM OF THE LEASE WAS MONTH-TO- MONTH, TWO (2) FULL CALENDAR MONTHS ADVANCE WRITTEN NOTICE OF TERMINATION IS REQUIRED, AND ANY SUCH TERMINATION SHALL ONLY BE EFFECTIVE THE END OF THE SECOND FULL CALENDAR MONTH. FOR EXAMPLE: IF WRITTEN NOTICE OF TERMINATION IS RECEIVED BY EITHER PARTY BY APRIL 30 TH. ANY SUCH NOTICE SHALL BE EFFECTIVE JUNE 30 TH. IF WRITTEN NOTICE OF TERMINATION IS RECEIVED BY EITHER PARTY ON MAY 1 ST OR ANY
LATER DATE IN MAY, ANY SUCH NOTICE SHALL NOT BE EFFECTIVE UNTIL JULY 31 ST.
Lessor's rent increase notice is not to be construed as a termination notice. All notices must be given pursuant to section 13.

If Lessee fails to vacate the Premises for any reason after the termination date or purports to rescind the termination notice after Lessor has already leased Lessee's terminated space. Lessee will pay the rent the new tenant had agreed to pay, plus any and all resulting damages and losses incurred by Lessor because the new tenant cannot move into the space previously terminated by Lessee.

4. RENT. Lessee agrees to pay Lessor as rental for the Premises the following monthly sums:

$1,300.00 Office(s) (#5)

$_____ Desk space(s)

$_____ Telephone Equipment and Service

$_____Voicemail Box(es)

$_____Furniture Rental (See Page 2A)

$1,300.00 Total monthly rent

In addition to the above rent, Lessee shall be obligated to pay rent for any space within the Suite which Lessee occupies but which is not included in the Premises (the "unrented space"). Lessee's obligation for said unrented space shall be at the rate set forth in Lessor's written notice to Lessee concerning Lessee's occupancy of the unrented space. Lessee's obligation to pay rent for the unrented space shall be effective as of the date in which Lessor gives Lessee written notice of the rent to be paid for said space, and occupancy of the unrented space shall be subject to all terms and conditions of this Lease. The terms and conditions of this Lease are confidential, and Lessee agrees not to reveal said terms and conditions to any third parties. Lessee's disclosure of

the terms and conditions of this Lease shall be cause for Lessor at

Lessor's sole discretion to immediately terminate this Lease, or increase Lessee's rental rates to Lessor's current asking price.

Rent shall be payable on or before the first day of each and every calendar month during the term hereof. If the term commences on a day other than the first day of the calendar month, rent shall be prorated based on the portion of the calendar month remaining. Lessee's first payment shall include one month's full rent, plus any partial calendar month's rent for the first month of the Lease, plus the last month's rent, plus the security deposit and a set-up fee of $150.00. At all times Lessee shall maintain the last month's rent with Lessor in an amount equal to one (1) times the monthly rent paid by Lessee for the Premises.

In addition to payment of the rent set forth herein. Lessee agrees to the following: from any payment made by Lessee. Lessor shall first apply such sums as are necessary to meet any of Lessee's outstanding obligations to Lessor. Said obligations may arise from matters such as services Lessor provides Lessee. Any remaining balance shall then be applied to Lessee's rent obligation in the amount set forth above. In the event such remaining balance is not sufficient to meet Lessee's rental obligation. Lessee shall pay upon written demand by Lessor any remaining sums due. Failure to pay said sums when so demanded shall constitute an event of default under this Lease.

Any and all sums Lessee is obligated to pay under the terms of this Lease shall be construed as rent obligations in addition to the monthly rent set forth herein. Such additional rent shall include a service charge of Fifty Dollars ($50.00) for each of Lessee's dishonored checks returned by the institution on which said checks are drawn. If at any time during the term of this Lease Lessee has tendered payment by check and Lessee's bank returns more than one such payment for any reason including insufficient funds. Lessor may, at its option, require all future payments be made by cashier's check. A Two Hundred Dollar ($200.00) handling charge for each Three Day Notice or Notice of Termination of Services which Lessor is required to serve upon Lessee due to Lessee's failure to make timely rent payments or breach of any other term or condition of this Lease shall be assessed against Lessee to be paid with the monthly rent in the event more than one of either notice is served during the term of the Lease. A Seven Hundred Fifty Dollar ($750.00) handling charge will be further assessed against Lessee in the event that Lessee does not render payment after service of a Three Day Notice and Lessor then serves Lessee with an Unlawful Detainer Action. Should Lessee not tender payment of the rent by the first (1st) business day of each month, a late charge shall be assessed in an amount of five cents ($0.05) for each dollar ($1.00) so overdue for the purpose of defraying the expense incident to handling such delinquent payment. In addition, Lessor may discontinue any and all services provided Lessee, including, but not limited to, use of all common areas, e.g., library and conference room, telephone answering service, photocopying, word processing, fax and legal research. Should Lessor discontinue any services above for non-payment, an administrative fee of One Hundred Dollars ($100.00) will be assessed to reinstate said services. Lessee hereby releases Lessor, its employees, agents, principals and contractors from any liability for damages which Lessee may suffer as a result of Lessor's suspension of services for the reasons stated herein.

5. SECURITY DEPOSIT. Upon execution of this Lease by Lessee. Lessee will pay a security deposit in an amount of $1,550.00 which is equal to one (1) times the monthly rent plus a services deposit of Two Hundred Fifty Dollars ($250.00) as security for the performance by Lessee of its obligations under this Lease. The security deposit will not be interest-bearing to Lessee. Lessor will retain the security deposit during Lessee's tenancy. Lessee shall not apply the security deposit as rent. If Lessee remains in the Premises after the expiration date of this Lease, the security deposit will be retained by Lessor until Lessee moves out of the Premises. Lessor may claim and retain such amount of Lessee's security deposit as is reasonable necessary to remedy any defaults of the Lessee in the payment of rent or services, to repair damages to the Premises caused by the Lessee, replacement of keys and any other outstanding obligations to Lessor, and Lessor may, at its option and at any time during the term of this Lease, treat the security deposit as a partial payment applied toward Lessee's obligation for the Premises during Lessee's last month of occupancy of the same. The parties expressly agree that the security deposit is made for all of the aforesaid specific purposes. At all times Lessee shall maintain a security deposit with Lessor in an amount equal to one (1) times the monthly rent paid by Lessee for the Premises rent plus

a services deposit of Two Hundred Fifty Dollars ($250.00). Lessor shall bill Lessee for any such additional security deposit as required. Lessor will refund Lessee's security deposit, less any offsets as set forth in this paragraph, approximately thirty (30) days after Lessee's tenancy has terminated and Lessee's has vacated, returned keys and removed any and all items of personal property from the Premises.

6. USE Lessee shall use the Premises solely for SALES/MKTG, and for no other purpose. Lessee shall not do or permit anything to be done in or about the Suite and Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Suite, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Lessee cause, maintain or permit any nuisance in, on or about the Premises. Lessee shall not commit or suffer to be committed any waste in or upon the Premises. Lessee agrees that Lessee will not offer or use the Premises to provide to others, services provided by Lessor to Lessor's other lessees. (I.E. Fax Machines, Copiers, etc.). If Lessee leases one or more desk spaces, no desk space may be occupied by more than one person. Lessee agrees that no office shall be occupied by more than two (2) persons without the prior written consent of Lessor. Only two (2) computers or similar electronic devices are allowed to be located in each office and not more than one in each desk space. Lessor will provide all photocopy and fax services for the Premises and Lessee shall not be permitted to install any fax or photocopy, machines in the Leased Premises.

7. DEFAULTS AND REMEDIES.

Lessee's Defaults. Any of the following defaults shall constitute a material default by Lessee:

(a) If Lessee fails to make any payment of rent, additional security deposit or any other payment required to be made by Lessee hereunder, as and when due.

(b) If Lessee withholds rent, deducts or offsets from rent or services due hereunder any amount for any reason.

(c) If Lessee occupies, uses or stores any personal property in any unrented office in the Suite, or stores any personal property in any unrented desk space or unrented office in the Suite, or stores any personal property in any common area.

(d) If Lessee fails to observe or perform any of the provisions of this Lease, where such failure shall continue for a period of ten (10) days after written notice thereof from Lessor to Lessee.

If Lessee defaults under this Lease, (i) Lessor may terminate this Lease, (ii) Lessor may recover, in addition to any rent and other charges already due and payable, all rent for the entire unexpired balance of the stated term of this Lease and all costs incurred by Lessor to recover such sums from Lessee, including reasonable attorney's fees and/or Lessor may recover damages from Lessee. All rights and remedies of Lessor under this Lease shall be cumulative and in addition to any other rights or remedies available at law or in equity. No failure by Lessor to exercise any right or remedy or to insist upon strict performance following a default by Lessee shall constitute a waiver of such default by Lessor, (iii) Lessor may terminate all services provided Lessee, including, but not limited to, use of all common areas, e.g., library and conference room, telephone answering service, photocopying, word processing, fax and legal research.

8. HIRING LESSOR'S EMPLOYEES. Lessor spends a great deal of time to hire and train employees for the operation of the Suite and other suites. Lessee derives the benefit of Lessor's experience in operating the Suite and of such hiring and training procedures. Lessee realizes the time and expense Lessor incurs to obtain personnel, and Lessee therefore agrees not to offer or accept for hire any of Lessor's employees at any time during the term or any extension or renewal of this Lease. "Lessor's employees" include Lessor's employees during the period of their employment with Lessor and for a period of one hundred eighty (180) days thereafter.

Lessor and Lessee have considered the matter and have reasonably endeavored to estimate the actual damages to Lessor in the event Lessee breaches this provision and offers or accepts for hire any of Lessor's employees, and both realizing that it would be impractical or extremely difficult to fix the actual damage to Lessor resulting from such offer or hiring of Lessor's employees. Lessor and Lessee therefore agree that if Lessee offers or accepts for hire any of Lessor's employees at any time during the term or any extension of renewal of this Lease, or within one hundred eighty (180) days after Lessee moves out of Lessor's offices. Lessee agrees to pay Lessor the sum of Five Thousand dollars ($5,000.00) for the employee so hired to compensate Lessor for Lessor's loss in hiring and training said employee. Said sum represents the amount agreed upon by the parties as Lessor's liquidated damages.

9. INSURANCE. Lessor has blanket liability insurance coverage for the common areas in the Suite. Lessor's insurance does not cover the Lessee's Premises or Lessee's property in the Suite and Premises. Lessor shall not be liable to Lessee, or to any other person, for any damages or business interruption on account of loss, damage, fire or theft of any personal or business property, including, but not limited to, property left with the floor receptionist or telephone operators, door lettering or other property purchased by, or belonging to, Lessee.

Lessee shall indemnify and hold harmless Lessor from and against any and All claims arising from Lessee's use of the Premises, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in the Premises and shall further indemnify and hold harmless Lessor from and against any and all claims arising from any breach or default in the performance under the terms of this Lease, or arising from any negligence of the Lessee or any of Lessee's agents, contractors, visitors, or employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon, and in case any action or proceeding be brought against Lessor by reason of any such claim. Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel satisfactory to Lessor and Lessor's landlord. Lessee, as a material part of the consideration to Lessor and Lessor's landlord, hereby assumes all risk of damage to property or injury to persons in the Premises and Lessee hereby waives all claims in respect thereof against Lessor.

Lessee shall maintain a policy (issued by a company reasonably acceptable to Lessor) of comprehensive general liability insurance with a combined single limit of not less than $1,000,000 insuring against all liability of Lessee and its agents arising out of Lessee's use or occupancy of the Premises and including contractual liability coverage for the indemnification obligations of Lessee under this lease. This policy of insurance shall name the Lessor as an additional insured and shall include cross liability endorsements in favor of the Lessor. Lessee's insurance shall be primary and non contributing with any insurance carried by Lessor, and shall contain an endorsement requiring at least sixty (60) days prior written notice of cancellation to Lessor. Lessee shall deliver a certificate of insurance to Lessor prior to taking occupancy of the Premises and shall provide evidence of renewed insurance coverage prior to the expiration of any policies. No insurance required or obtained by Lessee hereunder shall limit any liabilities or obligations of Lessee to Lessor under this Lease.

10. COMMON AREA. All areas not designated for exclusive use of tenants or available for lease to prospective tenants constitute the Suite's common areas. Lessee shall have the non-exclusive right of access and use of the common areas and facilities contained therein. Conference room(s) may be used on a reservation basis only subject to Lessor's rules and regulations governing use of the same (see section 9 of exhibit D).

11. MASTER LEASE. Lessee shall have no greater rights to the use and occupancy of the Suite and Premises than Lessor has with the Building under Lessor's Master Lease: in particular. Lessee's term under this agreement shall not be greater than Lessor's term under the Master Lease. Lessee is bound to Lessor in the same manner as Lessor is bound to the Building with respect to all standard lease provisions (e.g. eminent domain, destruction of building, etc.). as well as the rules and regulations of the Building attached hereto as Exhibit C.

Termination of the Master Lease shall terminate this Lease and all of Lessor's obligations hereunder. If Lessor's interest is so terminated. Lessee shall, at the option of Lessor's landlord, attorn to Lessor's landlord and recognize Lessor's landlord as Lessor under this Lease. Lessee shall execute and deliver at any time when requested by

Lessor's landlord an instrument to evidence such attornment. Lessee waives the provision of any law which may give Lessee any right of election to terminate this Lease or to surrender possession of the Premises by reason of the termination of the Master Lease. This paragraph does not obligate Lessee in any way to the Master Lessor of the Building or to anyone else, for anyone else's rent, or any payment whatever, except as expressly set forth in this Lease.

At any time, Lessor may terminate this Lease upon sixty (60) days written notice to Lessee in the event that Lessor's interest in the Master Lease is terminated. In the event Lessor's interest in the Master Lease is terminated. Lessee shall, at the option of Lessor's landlord, attorn to Lessor's landlord or Lessor's landlord's designee, and recognize Lessor's landlord or Lessor's landlord's designee as Lessor under this Sublease. Lessee shall execute and deliver at any time when requested by Lessor's landlord an instrument to evidence such attornment. In no event, however, shall Lessor's landlord or Lessor's landlord's designee be liable for any previous act or omission by Lessor under this Sublease, or for the return of any advance rental payments or deposits under such agreements that have not been actually delivered to Lessor's landlord or Lessor's landlord's designee, nor shall Lessor's landlord or Lessor's landlord's designee be bound by any modification to any modification to any such agreements executed without Landlord's consent, or for any advance rental payments in excess of one month's rent. Lessee waives the provision of any law which may give Lessee any right of election to terminate this Lease or to surrender possession of the Premises by reason of the termination of the Master Lease.

12. SUBLETTING. Lessee shall not sublet or assign the Premises or any part thereof for any period of time. Any subletting or assignment of this Lease which is not in compliance with the provisions of this paragraph shall be void and shall, at the option of Lessor, terminate this Lease. In such event, Lessee shall be liable for any expenses Lessor may incur in regaining possession of the Premises or so much of the Premises as Lessee may have subleased or assigned without Lessor's consent

13. NOTICE TO LESSOR. Any notice regarding a breach of this lease or termination thereof shall be in writing and sent by certified mail or personal delivery to Barrister Executive Suites, Inc., Attention: Lease Termination Department, 233 Wilshire Boulevard, Suite 500, Santa Monica, California 90401 (in the case of Lessor), or to Lessee c/o the address of the Premises (in the case of Lessee). Certified mail notice shall be deemed given forty-eight (48) hours after the date it is placed, postage prepaid, in a depository for United States mail, PERSONAL DELIVERY TO THE FLOOR MANAGER, RECEPTIONIST OR TELEPHONE OPERATOR DOES NOT CONSTITUTE NOTICE TO LESSOR. Either party may provide for a different address by notifying the other party of said change as provided for herein.

14. SUBSTITUTION. At any time after the execution of this Lease, Lessor may substitute for the Leased Premises other premises elsewhere in the suite comparable to existing spare (the "New Premises") in which event the New Premises shall be deemed to be the Leased Premises for all purposes hereunder, provided:

(a) The New Premises shall be similar in area and appropriateness for Lessee's purposes in Lessor's reasonable determination; and

(b) If Lessee is occupying the Leased Premises at the time of any such substitution. Lessor shall pay the reasonable out of pocket, third party expense of moving Lessee, its property and equipment to the New Premises.

15. RULES AND REGULATIONS. Lessee shall observe at all times Lessor's Rules and Regulations a copy of which is attached hereto as Exhibit D.

16. REPAIRS. The landlord which leases the Suite to Lessor is responsible for construction of the building, parking garage or lot, and repairs to elevators, air conditioning, electrical, plumbing and structural supports under the Master Lease. Lessor is not liable to Lessee by reason of any defect, inadequacy or insufficiency in same. Lessee may not deduct or offset any amount from rent due herein because of any problem regarding

construction, access to services, repairs or lack thereof. Lessor will coordinate any repair or complaint of Lessee. However, any claim by Lessee with respect thereto shall be made solely against the Building and Lessor hereby assigns to Lessee, solely for the purpose of making and prosecuting any such claim, all rights which Lessor has under the Master Lease. Lessor will coordinate all repairs for dangerous conditions existing in the common areas within the Suite. Lessee is responsible for, and shall indemnify and hold Lessor harmless from and against, any damage to persons or property caused by Lessee, or Lessee's employees, agents, clients, guests or invitees, as well as any business interruption, lost business or income caused by phone system problems, long distance and local phone service problems, photocopier problems, and/or fax machine problems.

17. RIGHT OF ENTRY. If Lessee has given notice to terminate or Lessee is in default of rental payments, or if Lessee is on a Month-to-Month Lease, Lessor's employees may show the Premises to prospective tenants between 9:00
a.m. and 6:00 p.m., Monday through Friday. If during the last month of the term Lessee shall have removed all or substantially all of Lessee's property, Lessor may immediately allow anyone else to occupy the Premises without relieving Lessee of liability for rent for that period of time unless Lessor receives rental income from Lessee's space, in which event such payment shall be credited against, Lessee's rent obligation for the period of time the space is occupied by someone else.

18. UTILITIES, SERVICES, MAINTENANCE AND CONSTRUCTION. Under Lessor's Master lease, the Building provides utilities, services (janitorial, heat and air conditioning) and maintenance. Janitorial services include carpet vacuuming, but not shampooing. Heat and air conditioning is provided during generally recognized business days and hours. Lessee is allowed access to the Premises twenty-four (24) hours a day, seven (7) days a week subject to the Building's rules requiring proper identification after normal business hours. Lessor is not liable to Lessee by reason of any failure to provide or the inadequacy of utilities, janitorial, heat or air conditioning services, parking, elevators, or maintenance. Lessor is not responsible for any negligence of the Building's agents or employees. Lessee may not deduct or offset any amount from rent due herein because of any problem regarding utilities, heat, air conditioning, parking, elevators, janitorial services, maintenance services or defective construction of Premises. Upon request by Lessee. Lessor will write the Building regarding any complaint by Lessee regarding utilities, heat, air conditioning, janitorial services, maintenance or construction; however, any claim by Lessee with respect thereto shall be made by Lessee directly to the Building, and Lessor hereby assigns to Lessee, solely for the purpose of making and prosecuting any such claim, all rights which Lessor has against the Building under the Master Lease. Lessor is responsible for maintaining the common areas within the Suite, however, Lessor is not responsible for maintaining, repairing or cleaning the floor covering, wall covering or drapes/window blinds within Lessee's Premises, other than the normal janitorial service provided by the Building. Non-recurring operating and capital improvements may be passed on to the Lessee.

19. ATTORNEY'S FEES. In the event legal proceedings to regain possession of the Premises or to collect moneys owed are instituted because of Lessee's failure to pay rent, security deposit, cost of repair of the Premises or to cure any breach of this Lease by Lessee, the prevailing party shall be entitled to recover as an element of his cost of suit, and not as damages, reasonable attorney's fees to be fixed by the court. The "prevailing party" shall be the party who is entitled to recover his costs of suit, whether or not the suit proceeds to final judgment. The party not entitled to recover his costs shall not recover attorney's fees. No sum for attorney's fees shall be counted in calculating the amount of a judgment for purposes of determining whether a party is entitled to recover his costs of attorney's fees.

20. ENTIRE AGREEMENT, MERGER AND WAIVER. This Lease Agreement supersedes and cancels any and all previous negotiations, arrangements, offers, brochures, agreements or understandings, if any, between the parties hereto. This Lease Agreement expresses and contains the entire agreement of the parties hereto and there are no expressed or implied representations, warranties or agreements between them, except as herein contained. This Lease Agreement may not be modified, amended or supplemented except by a writing signed by both Lessor and Lessee. No consent given or waiver made by Lessor of any breach by Lessee of any provision of this Lease Agreement shall operate or be construed in any manner as a waiver of any subsequent breach of the same or of any other provision.

21. CONFLICT OF INTEREST. Lessee agrees that a conflict of interest would be created if Lessee were to represent or act as Legal counsel for the employees, officers, vendors, contractors, landlords and/or tenants of Lessor. Therefore, so long as Lessee is a tenant of Lessor, Lessee shall be prohibited from representing Lessor's employees, officers, vendors, contractors, landlords and/or tenants in any legal action or lawsuit which involves Lessor, or Lessor's Managing Agent (if applicable). Failure to comply with this provision shall constitute an event of default under the Lease and shall be cause for Lessor to terminate this Lease.

	BARRISTER EXECUTIVE SUITES, INC.
NETFLIX.COM *LESSEE*	*LESSOR*
/s/ Signature Illegible *VP OF Contact ACQ.*	_____
Date: 3/31/00 -------	*Date:* _____

"YOUR SIGNATURE IS ALSO REQUIRED ON PAGE 6 OF EXHIBIT D."

EXHIBIT D

BARRISTER EXECUTIVE SUITES, INC.

RULES AND REGULATIONS

ATTACHED AND MADE A PART OF LEASE

Lessor has adopted these Rules and Regulations for the purpose of assuring Lessee of the quiet enjoyment of the Suite. Lessee agrees to abide by the Rules and Regulations so long as Lessee remains in occupancy of the Premises

1. COMMON AREAS. The sidewalks, hallways, passages, exits, entrances, elevators, escalators, and stairways shall not be obstructed by Lessee or used by him for any purpose other than for ingress to and egress from the Premises. The halls, passages, exits, entrances, escalators and stairways are not for the use of the general public and Lessor shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of Lessor shall be prejudicial to the safety, character, reputation and interests of the suite and its lessees, provided that nothing herein contained shall be construed to prevent such access to persons with whom Lessee normally deals in the ordinary course of such Lessee's business unless such persons are engaged in illegal activities.

2. DISPLAY OF SIGNS. No sign, placard, picture, name, advertisement or notice, visible from the exterior of the Premises shall be inscribed, painted, affixed or otherwise displayed by Lessee on the Premises or any part of the building without the prior written consent of Lessor, and Lessor shall have the right to remove any such sign, placard, picture, name, advertisement or notice without notice to and at the expense of Lessee. Lessor's consent, whether before or after the execution of the Lease, shall in no way operate as waiver or release of any of the provisions hereof or of the Lease, and shall be deemed to relate only to the particular sign, placard, picture, name, advertisement or notice so consented to by Lessor and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Lessor with respect to any other such sign, placard, picture, name, advertisement or notice.

3. DIRECTORY. Subject to the Building's rules and regulations. Lessee may have Lessee's business name on the Building's lobby and parking-level directories. Lessor will order the installation of directory listings for the name(s) designated as "Lessee" on this Lease. Lessee, shall pay the Lessor's prevailing charge for any Directory Listings. If Lessee desires a different listing, additional listings, or does not want a name on the directories. Lessee will note that fact at the bottom of this page and at the discretion of Lessor and the Building, such additional listings may be provided.

4. DOOR LETTERING. Lessee may, at Lessee's expense, have the occupant's name placed on Lessee's office door in the uniform size, style, place and manner selected by Lessor. If Lessee requires door signs, Lessee shall pay Lessor for same at Lessor's prevailing rate. Lessee shall not install a title, company name or anything else on the outside of Lessee's door or any other location visible from the common area. For attorneys, a law firm name on the door is permissible, so long as it does not exceed one line. Lessor recommends the use of a single occupant's name, or no name at all. If Lessee's office is within a private suite. Lessee shall not place any name on the entrance door to the private suite unless Lessee has leased the entire mini-suite, or each office and desk space within that private suite is occupied and Lessee obtains written consent of all other tenants within that private suite. If at any time Lessee does not lease an entire mini-suite or private suite and Lessee does not have the consent of all other occupants of the mini-suite or private suite, including Lessor's in the event a vacancy exists. Lessee shall remove, at its own expense, all lettering from the entrance door to the mini-suite or private suite. If Lessee's door lettering is not installed by the office of the building or the company recommended by Lessor, or if the next Lessee does not immediately install door lettering. Lessee is responsible for the cost of professional removal of Lessee's door lettering as well as any damage to the door caused by the removal of Lessee's door

lettering. If any co-Lessee complains that Lessee's door lettering is not in keeping with the provisions herein. Lessee will after at Lessee's expense the door lettering to comply with these provisions.

5. KEYS. Lessor will supply one key to the door of each office or desk area (including one key for each existing desk lock if the former tenant returned the key) rented by Lessee. If Lessee does not receive a door key for space rented within 5 days after the commencement date of this Lease. Lessee shall send Lessor a certified letter with return receipt asking for the key(s) and if such letter is not received by Lessor. Lessee will be deemed to have received the key(s) and Lessee will be responsible for replacing the key(s) when Lessee moves out. Lessee will pay the Lessor's prevailing charge for elevator keys, security cards or keys to enter the Building after normal business hours, or additional office or desk area keys. Lessor is not responsible for changing any lock for any reason including, but not limited to, the master key kept by Lessor's employees, or any other key which opens Lessee's space, being stolen, lost or misplaced. Lessee understands that Lessor is not liable for thefts. Subject to the approval of the Building manager. Lessee may install a deadbolt lock on or change the tumbler on any door(s) leading to an area within which Lessee has leased all the space. Deadbolts must be installed above the doorknob. with precisely 7 1/2" between the center of the knob and the center of the dead bolt. If Lessee chooses to change the tumbler or to install a dead bolt. Lessee realizes that maintenance personnel will not be able to enter and clean Lessee's office(s). Lessee shall be responsible for the return of all keys to the Premises. In the event Lessee fails to do so. Lessee shall pay Lessor for the cost of re-keying all doors to the Premises. If Lessee requires Lessor to admit Lessee into the Premises, Lessee will be assessed Lessor's standard charge for admitting Lessee for each occurance after the first.

6. CARPETING AND WALL COVERING. Lessee accepts the carpeting, flooring, and walls on an "as is" basis. Lessee shall return the carpeting, flooring, walls, and wall covering to Lessor in their installed condition less normal wear and tear. Lessee may not make changes in floor covering or wall covering without the prior written consent of Lessor. Upon termination of the Lease, whether upon expiration of the term or sooner. Lessee agrees to pay Lessor One Hundred Dollars ($100,00) per leased office and Fifty Dollars ($50,00) per leased desk space to cover the painting and cleaning costs for each such space. The applicable amounts for such painting and cleaning costs shall be deducted from Lessee's security deposit should Lessee fail to pay Lessor for same upon lease termination.

DRAPES (OR VENETIAN BLINDS). Lessor shall provide drapes or blinds (whichever is standard for the Building) in exterior window offices (excluding offices with atrium exposures) at no expense to Lessee. Lessor is not obligated to clean or repair the drapes (or blinds). Lessee shall return same to Lessor in their present condition less normal wear and tear. As required by the Building, Lessee must use the building standard drapes or blinds. Lessee may install overdrapes (visible only from within the office) in the texture and color of Lessee's choice, which must be removed at lease termination. If the Building has special sun-resistant glass treatment and does not provide drapes or blinds for other floors in the building. Lessor shall not be required to provide drapes or blinds to Lessee.

8. IMPROVEMENTS. Lessee may make cosmetic improvements within the office(s) and/or desk space(s) leased herein subject to Lessor's prior written approval and provided that Lessee pays for any such improvements, and further provided said improvements do not affect the structural integrity of the Building or violate Lessor's Master Lease. All improvements (other than floor covering or wall covering changes) must be done by the Building's general contractor or a contractor of Lessee's choice with the prior written permission of the Office of the Building and Lessor. Lessee may remove any improvements paid for by Lessee provided that Lessee repairs any holes, gaps or other damage to walls, ceiling, flooring or their coverings. Lessee will remove any improvements (other than additional, normal-height electrical outlets or shelves within a cabinet or closet occupied by Lessee) installed by Lessee and restore the Premises to the condition prior to Lessee's occupancy if requested to do so by Lessor. Lessee shall not remove any improvement for which Lessor contributed payment without Lessor's prior written consent. During the restoration period, Lessee shall pay rent to Lessor as provided herein as if said space were otherwise occupied by Lessee.

9. CONFERENCE ROOM. Lessee may use the conference room(s) on a reservation basis only. Lessee may not have a standing or permanent reservation of the conference room. Lessee will not reserve the conference room on more than 3 occasions in any 30-day period nor may Lessee reserve use of the conference room for an entire day more than one day at a time, unless Lessor's floor manager confirms that such excess use does not conflict or interfere with any other co-tenant's reasonable pro rata use of the conference room. Excess usage will be charged to Lessee at Lessor's prevailing rate. Lessee understands the conference room is for meetings, depositions or other conferences and is not to be used for lunches or any other purpose which causes loud noise, offensive odors or any other environmental situation which disturbs other tenants. Use of the conference room at any other suite operated by Lessor is permitted one time in any 30-day period on a reservation basis. Such usage is limited to normal business hours when the floor manager is present.

10. LIBRARY. Lessor will provide access to a Law Library, consisting of one set of each major multi-volume publication (other than desk or specialized sets) used most frequently by most lawyers as determined by Lessor's experience (said law library may be comprised of CD-ROM disks or books). Lessee shall not mark, mar, tear or otherwise deface any book.

Lessee shall refrain from smoking, eating and drinking in the library and shall be bound by the rules made by Lessor with respect to the use of the library, including but not limited to the following:

(a) Lessee will return to the shelf each book that Lessee removes from the shelf.

(b) Lessee will complete an "out card" for each book removed from the library.

(c) Lessee will not keep any book out of the library overnight.

Lessor is not responsible for repurchasing lost, stolen or missing books or supplements.

If the number of lost, stolen or missing books is unusually large, as determined by Lessor's experience in running numerous law suites. Lessor may lock the library after normal business hours or institute other security measures Lessor deems appropriate, including inspection of all offices in the Suite to locate missing books.

Lessee realizes that every book or supplement needed by Lessee will not always be in the library as some books or supplements may be missing, stolen or have been removed by tenants. Lessee acknowledges that Lessor is not responsible to Lessee or any other persons in the event that research by, or on behalf of, Lessee is inadequate or incomplete because some books or supplements have not been updated, have been removed, or are missing or stolen. Lessor may at any time and without prior notice to Lessee, remove the on-site library: however. Lessee shall have the right to use the library of any other law suite operated by Lessor but may not remove any book from said library. The Law Library is provided for the convenience of the tenants and Lessor can not be held responsible for any inadequacy therein.

11. TELEPHONE. MAIL SORTING AND RECEPTION. Lessor agrees to provide standard telephone answering, mail sorting and reception services as reasonably required by Lessee from 9:00 a.m. to 5:30 p.m., Monday through Friday, national and/or state holidays excepted. Lessee shall be responsible for its own telephone expense, and the installation and monthly service charges, if any, from the telephone company by reason of Lessee's lines being connected to the reception desk and telephone room consoles. Any telephone expense billed to Lessor (including any telephone company double charge) shall be paid or reimbursed by Lessee to Lessor. Lessee agrees to use only the telephone equipment and services of the vendor authorized by Lessor if Lessee wishes to connect its telephones lines to Lessor's switchboard and have Lessor answer Lessee's telephone lines. Lessee may not install more than two incoming lines on Lessor's switchboard for each office and one incoming line for each desk space, and all such lines are to be answered with the same greeting. Telephone equipment shall only be moved by Lessor or its authorized vendor and Lessee shall be responsible to pay all costs of such moves at the current rates charged by Lessor's authorized vendor.

In the event that Lessee receives excessive incoming telephone calls through Lessor's switchboard (Greater than 1,000 calls per month per office rented will be considered excessive). Lessor may impose a reasonable charge for such excessive usage or require Lessee to disconnect its telephone lines from Lessor's switchboard and have Lessee answer its own telephone lines. Lessee is encouraged to have a private line that bypasses Lessors switchboard for important clients & personal callers so as to help ensure that Lessee does not receive excessive calls through Lessor's switchboard.

Lessee is required to maintain voice-mail access so that Lessor's telephone operators may route Lessee's callers that need to leave a message into said voice-mail. Should Lessor's operators be required to take a paper message for any reason. Lessee agrees to pay Lessor's standard charge for each such message written.

Should Lessee choose not to be connected to Lessor's switchboard and not have Lessor answer its telephones. Lessee may use its own telephone equipment provided Lessee obtains said equipment from a telephone vendor approved by Lessor. Lessee acknowledges that the telephone cabling which currently exists in the suite is the property of Lessor and Lessor may have provided the rights to use of the existing cabling to its authorized telephone vendor. Therefore, if Lessee chooses to use its own telephone equipment. Lessee may be charged a monthly fee by Lessor or its authorized telephone vendor for use of the existing telephone cabling. In the event Lessee replaces Lessor's cabling with Lessee's own vendor's cabling, Lessee shall reimburse Lessor for any expense Lessor's phone vendor assesses to switch out its cabling and to restore it after Lessee vacates the Premises.

Lessee agrees that Lessor is not responsible for the acts or omissions of Lessor's telephone vendor. Lessor is not responsible for telephone equipment breakdowns, and Lessee understands that telephone service may not always be continuous. Further, Lessee agrees to indemnify, release, and hold Lessor harmless from any loss damage, claim or liability arising out of or in connection with any telephone equipment failure, including lost business or income. Services offered by Lessor are subject to human, electrical and mechanical error, failure, or illness which may result in the delay or discontinuation of these services. Lessee acknowledges that Lessor is not responsible for telephone equipment breakdowns and that telephone service may not always be continuous.

If the telephone company does not install Lessee's phone on or before the commencement date of this Lease, the commencement date shall not be extended, nor shall rent be abated since Lessee is responsible for insuring that Lessee's telephone lines are installed in Lessee's office and connected to Lessor's central call director. If Lessee desires a floor telephone outlet or any other telephone outlet not already provided. Lessee will pay the Building's relocation charge and any additional conduit and electrical work charges.

Lessee recognizes that telephone answering, mail sorting and reception services are never perfect and that all receptionists and telephone operators make mistakes. Lessor strives to provide excellent telephone answering, mail sorting and reception services, however it will not be error-free. Lessee may perform telephone answering and mail service directly or through Lessee's employees. Lessee agrees that Lessor shall not be liable for any loss of business or damages of any sort occurring through or in connection with or incidental to the furnishing of, or the failure to furnish, telephone answering, mail sorting or reception service. Further, Lessee agrees to indemnify, release, and hold Lessor harmless from any loss, damage, claim or liability arising out of or in connection with any telephone answering, mail sorting and/or reception service provided or not provided by Lessor's employees to Lessee or to any caller, visitor or associate of Lessee, or mail or deliveries of any goods or merchandise intended for Lessee. IN THE EVENT THIS LEASE TERMINATES, OR LESSEE IS IN DEFAULT HEREUNDER, LESSOR MAY, AT ITS ELECTION, REFUSE TO PROVIDE TELEPHONE ANSWERING SERVICE, LIBRARY AND CONFERENCE ROOM USAGE, PHOTOCOPYING, WORD PROCESSING, FAX AND LEGAL RESEARCH AND LESSOR SHALL NOT BE IN BREACH OF ANY OF ITS OBLIGATIONS HEREUNDER. NOR SHALL SUCH REFUSAL BE DEEMED AN EVICTION OF LESSEE UNDER THIS LEASE.

Lessor provides open message and mail slots to all tenants. Lessee acknowledges that Lessor is not responsible for loss or theft of messages or mail. Lessee may install at Lessee's expense a locking cover over the mail slot or one or both sides of the message slot provided that Lessee will be responsible for any damage to said mail or message slot as well as for restoring the slot to its original condition when Lessee moves out. Lessee understands that any covered slot will not be in alphabetical order and will be at the beginning or end of the row of slots at the telephone operator's discretion. Lessee further understands that a key must be given to the telephone operators in order for them to insert mail and/or messages into the respective slots, or the covers must be designed with a small opening for that purpose. Lessor's sole obligation to answer telephones or sort mail shall be limited to Lessee's name or associates of Lessee occupying individual offices. Services in addition to the foregoing shall be subject to a charge to be determined by Lessor.

Upon termination of this Lease. Lessor will write on all mail "Return to Sender" and return to the post office. Lessor will not store mail nor place a forwarding address on it unless Lessee pays the then-prevailing charge for said service.

12. PHOTOCOPYING AND FAX. Lessor will provide all photocopy and fax services for the Premises and Lessee shall not be permitted to install any fax or photocopy machines in the Leased Premises. If Lessee desires to use these services. Lessee shall execute separate services agreements for same, and charges arising from these services shall appear on Lessee's monthly statements and shall be paid for together with the monthly rent for the Premises. Lessee recognizes that photocopy and fax machines do break down and that repair persons do not come over promptly. Lessee acknowledges that Lessor is not responsible for machine breakdowns.

13. PARKING. Lessee and Lessee's visitors may have validated and monthly automobile parking (if available) in the Building's parking facilities, if any, according to the Building's rules and regulations. Lessor is under no obligation to provide parking. Lessee's failure to obtain parking shall in no way affect Lessee's obligation to pay rent.

14. PROFESSIONAL CONDUCT. If Lessee conducts himself or his business in such a manner that reflects unfavorably on them or the Suite. Lessor may terminate this Lease on 15 days notice to Lessee and any rent paid in advance will be returned to Lessee on a pro rata basis. Lessor further reserves the right to exclude, expel from the Suite or terminate the Lease of (on 5 days notice to Lessee) any person who, in the sole judgment of Lessor, is abusive to Lessor's employees, tenants or visitors to the Premises, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these rules and regulations or applicable laws.

15. SMOKING. Smoking is expressly prohibited in all areas of the Suite.

16. AMENDMENTS. Lessor may, without further notice, make changes or adopt any such other and further rules and regulations which in its sole judgment may be necessary for the proper operation of the Suite. Lessee agrees to abide by all such rules and regulations hereinabove stated and any additional rules and regulations which are adopted. So long as Lessee is not in violation of its obligations under the Lease or these rules and regulations. Lessor shall observe the rules and regulations.

	BARRISTER EXECUTIVE SUITES, INC.
NETFLIX.COM *LESSEE*	*LESSOR*
/s/ Signature Illegible *VP of Contact Acquisition*	_____
Date: 3/31/00 -------	*Date:* _____

"YOUR SIGNATURE IS ALSO REQUIRED ON PAGE S OF THE LEASE"

EXHIBIT A

[CHART OMITTED]

EXHIBIT B

NOT APPLICABLE TO THIS LEASE

EXHIBIT C

BUILDING RULES AND REGULATIONS

1. Security Landlord may from time to time adopt appropriate systems and procedures for the security or safety of the Building, any persons occupying, using or entering the same, or any equipment, furnishings or contents thereof, and Tenant shall comply with Landlord's reasonable requirements relative thereto.

2. Locks Landlord may from time to time install and change locking mechanisms on entrances to the Building, common areas thereof, and the Premises, and (unless 24 hour security is provided by the Building) shall provide to Tenant a reasonable number of keys and replacement therefor to meet the bona fide requirements of Tenant. In these rules "keys" include any device serving the same purpose. Tenant shall not add to or change existing locking mechanisms on any door in or to the Premises without Landlord's prior written consent. If with Landlord's consent, Tenant install lock(s) incompatible with the Building master locking system:

(a) Landlord, without abatement of Rent, shall be relieved of any obligation under the Lease to provide any service to the affected areas which require access thereto.
(b) Tenant shall indemnify Landlord against any expense as a result of forced entry thereto which may be required in an emergency, and
(c) Tenant shall at the end of the Term and at Landlord's request remove such locks at Tenant's expense.

3. Return of Keys At the end of the Term, Tenant shall promptly return to Landlord all keys for the Building and for the Premises which are in possession of Tenant.

4. Windows Tenant shall observe Landlord's rules with respect to maintaining window coverings at all windows in the Premises so that the Building presents a uniform exterior appearance, and shall not install any window shades, screens, drapes, covers or other material on or at any window in the Premises without Landlord's prior written consent. Tenant shall take reasonable steps to provide that window coverings are closed on all windows in the Premises while they are exposed to the direct rays of the sun.

5. Repair, Maintenance, Alterations and Improvements Tenant shall carry out Tenant's repair, maintenance, alterations and improvements in the Premises only during times agreed to in advance by Landlord and in a manner which will not unreasonably interfere with the rights of other tenants in the building.

6. Water Fixtures Tenants shall not use water fixtures for any purpose for which they are not intended, nor shall water be wasted by tampering with such fixtures. Any cost or damage resulting from such misuse by Tenant shall be paid for by Tenant.

7. Personal Use of Premises The Premises shall not be used or permitted to be used for residential, lodging or sleeping purposes or for the storage of personal effects or property not required for business purposes.

8. Heavy Articles Tenant shall not place in or move about the Premises without Landlord's prior written consent any safe or other heavy article which in Landlord's reasonable opinion may damage the Building, and Landlord may designate the location of any heavy articles in the Premises.

9. Carpet Pads In those portions of the Premises where carpet has been provided directly or indirectly by Landlord, Tenant shall at its own expense install and maintain pads to protect the carpet under all furniture having casters other than carpet casters.

10. Bicycles, Animals Tenant shall not bring any animals or birds into the Building, and shall not permit bicycles or other vehicles inside or on the sidewalks outside the Building except in areas designated from time to time by Landlord for such purposes.

11. Deliveries Tenant shall ensure that deliveries of material and supplies to the Premises are made through such entrances, elevators and corridors and at such times as may from time be designated by Landlord, and shall promptly pay or cause to be paid to Landlord the cost of repairing any damage in the Building caused by any person making such deliveries.

12. Furniture and Equipment Tenant shall ensure that furniture and equipment being moved into or out of the Premises is moved through such entrances, elevators and corridors and at such times as may from time to time be designated by Landlord, and by movers or a moving company approved by Landlord, and shall promptly pay or cause to be paid to Landlord the cost of repairing any damage in the Building caused thereby.

13. Solicitations Landlord reserves the right to restrict or prohibit canvassing, soliciting or peddling in the Building.

14. Food and Beverages Only persons approved from time to time by Landlord may prepare, solicit orders for, sell, serve or distribute foods or beverages in the Building, or use the elevators, corridors or common areas for any such purpose. Except with Landlord's prior written consent and in accordance with arrangements approved by Landlord, Tenant shall not permit on the Premises the use of equipment for dispensing food or beverages or for the preparation, solicitation of orders for, sales, serving or distribution of food or beverages.

15. Refuse Tenant shall place all refuse in proper receptacles provided by Tenant at its expense in the Premises or on receptacles (if any) provided by Landlord for the Building, and shall keep sidewalks and driveways outside the Building, and lobbies, stairwells, ducts and shafts of the Building, free of all refuse.

16. Obstructions Tenant shall not obstruct or place anything in or on the sidewalks or driveways outside the Building or in the lobbies, corridors, stairwells or other common areas of the Building, or use such locations for any purpose except access to and exit from the Premises without Landlord's prior written consent. Landlord may remove at Tenant's expense any such obstruction or thing (unauthorized by Landlord) without notice or obligation to Tenant.

17. Dangerous or Immoral Activities Tenant shall not make any use of the Premises which involves the danger of injury to any person, nor shall the same be used for any immoral purpose.

18. Proper Conduct Tenant shall not conduct itself in any manner which is inconsistent with the character of the Building as a first-quality building or which will impair the comfort and convenience of other tenants in the Building.

19. Employees, Agents and Invitees In these Rules and Regulations, Tenant includes the employees, agents, invitees and licensees of Tenant and others permitted by Tenant to use or occupy the Premises.

20. Housekeeping Tenant shall prevent paper, books, magazines and other obstructions from being placed on heat, ventilating and air conditioning convectors and any other interference with the heat, ventilating and/or air conditioning system within the Premises.

21. Energy Conservation Tenant shall make every effort to practice energy conservation within the Premises and will cooperate with Landlord in establishing and implementing such conservation programs as Landlord may from time to time develop.

Executive Suites

RENTAL APPLICATION

PLEASE PRINT CLEARLY OR TYPE AND FILL IN ALL REQUESTED INFORMATION, THANK YOU.

Applicant Name (As it will appear on the Lease agreement) NetFlix.com, Inc.

Is this business a (circle one) Corporation or Partnership or Sole

Proprietorship? Federal Tax ID # 77-0467272

If Corporation: State of Incorporation Delaware Date incorporated 8/29/97 Corp. ID # _____

Type of Business DVD Rental

Date Business Established _____ Current Phone #408-399-3700

PLEASE PROVIDE COMPLETE INFORMATION FOR THE INDIVIDUAL(S) WHOM WILL BE EXECUTING THIS LEASE AND SIGNING AS THE GUARANTOR:

Name Title Home Address City State Zip Code

Social Security # Home Telephone # Work Telephone #

Title Home Address City State Zip Code

Home Telephone # Work Telephone #

LANDLORD REFERENCES

Current Business Address 750 UNIVERSITY AVENUE, LOS GATOS, CA. 95032

Lessor HI/FN Lessor's Phone # & Contact(408)399-3500 - Dave Merrick

Monthly Rent 36,623 Initial Term of Lease 24 mo. Length of Occupancy 14 mo.

Reason for Leaving N/A

BANK ACCOUNT INFORMATION

Bank Name Address Phone # and Contact Account Number

Bank Name Address Phone # and Contact Account Number

Has this business, its officers, partners or owners ever been delinquent in any payment of any financial obligation? If yes, please explain:

The information on this application is true and correct to the best of my/our knowledge. I/We hereby authorize Barrister Executive Suites, Inc. or its agents to obtain either a consumer or investigative credit report and to verify all information by contracting the sources listed herein, or any other sources available. I/We understand that information

that does not verify, or cannot be verified, may result in this application not being approved.

OFFICERS OR PARTNERS (NAMED ABOVE) MUST SIGN BELOW

NAME _____ TITLE VP ?? DATE 3/31/00

NAME _____ TITLE ?? DATE 4/3/00

Barrister Use Only

Property #_____ Space #'s_____ Term _____ Rate_____ Cost or Teaser_____

Special
Circumstances_____

Broker referral (yes or No)_____ Tenant referral (Yes or No)_____ TI work_____

Los Angeles, CA 90045 (310) 258-8019 Fax (310) 258-8001

BUSINESS OFFICE MANAGEMENT, LLC.

SERVICE AND EQUIPMENT RENTAL AGREEMENT

GENERAL INFORMATION:

NetFlix.com, Inc. — Main Phone No.: (408) 399-3700
Company Name

750 University Avenue — Billing Contact: _____
Address

Los Gatos, Ca. 95032-7606 — Contact Phone No. (408)_____

City State Zip Code CIMOY FURIMO

PRODUCTS/SERVICES:

	Monthly Charges Qty	Installation Fee Qty	Refundable Deposit Qty
Telephone (1 DID & 1 Voice Box)	1 x $100= 100	1 x $225= 225	1 x $100= 100
Add'l Telephone (1 Voice Box & ext(s))	___ x $100=___	___ x $75=___	___ x $100=___
Facsimile/Modern/extra DID line	1 x $25= 25	1 x $75= 75	
Additional Voice Mail Box	___ x $15=___	___ x $25=___	
Telephone/Mail Service line charge (1 Voice Mail Box & 1 DID)	___ x $25=___	___ x $75=___	
COLUMN TOTAL:	125	300	100

TOTAL AMOUNT DUE: 525.00

* All adds, moves and changes after initial installation will be billed at then prevailing rates with a one hour minimum charge.

AGREEMENT:

I/WE HEREBY AGREE TO PAY BUSINESS OFFICE MANAGEMENT, LLC EACH OF THE CHARGES LISTED AS WELL AS ANY CHARGES ON THE DATE OF INSTALLATION OR IN THE FUTURE. I/WE FURTHER AUTHORIZE "BOM" TO ACT AS MY/OUR AGENT IN DEALING WITH LOCAL EXCHANGE CARRIERS, OTHER COMMON CARRIERS, RESELLER, CONSULTANTS AND EQUIPMENT VENDORS. THIS AUTHORIZATION SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL FURTHER WRITTEN NOTICE

/s/ Signature Illegible
By: _____ *Date: 4/3/00*

Name (Please Print): W. BARRY McCARTHY JR *Title: CFO*

TERMS AND CONDITIONS OF BOM WATS SERVICE
AND EQUIPMENT RENTAL AGREEMENT

This Agreement shall be effective, and its obligations commence, upon the date of execution by the parties. If either party desires to cancel this Agreement it shall give the other party written notice of its intent to cancel at least thirty (30) days in advance of the desired cancellation date. Upon termination of this Agreement. Client shall vacate the equipment in good repair (ordinary wear and tear resulting from the proper use thereof alone excepted) by permitting BOM to enter Client's premises for the sole purpose of de-installing and repossessing said equipment.

The equipment as outlined on the reverse side of this Agreement shall be kept at the location specified, also on the reverse of this Agreement and shall not be removed therefrom without BOM's prior written consent. Client shall use the equipment in a careful manner and shall comply with all laws relating to its possession, use and maintenance. BOM will keep the equipment in good repair and furnish all parts, mechanisms and devices required therefor. Client agrees that only BOM provided equipment will be used in Client's offices, and that Client shall not make any alterations, additions or improvements to the equipment nor change any outlets or jacks without the prior written consent of BOM. Client is responsible for loss or damage to any or all equipment, excepting ordinary wear and tear resulting from the proper use thereof, and no such loss or damage of any or all equipment shall relieve Client of the obligation to pay rent or any other obligation under the Agreement.

Payment for balances shall be due BOM from the Client within ten (10) days from the invoice date. Payments received after the due date shall result in interest charges of one and one half percent (1 1/2%) per month, and entitle BOM to commence collection action as defined below. BOM does not waive remedies for collection and reserves the right to enlist the assistance of Client's executive suite management and/or ownership in collection of any outstanding balances due. BOM" agreement with Barrister Executive Suites, Inc., allows Barrister Executive Suites, Inc. to deduct any outstanding balance(s) due BOM, at termination, from Client's security deposit with Barrister Executive Suites, Inc. Client is hereby notified that BOM may instruct Barrister Executive Suites, Inc. to take such action for any balance due upon lease termination.

If payment has not been received by the due date, or any extension thereof permitted at its option for all charges billed to Client, then BOM may, at its sole discretion and without prior notices, terminate this Agreement in part of in whole. BOM shall have the right, without notice or service, to remove any and all equipment from Client without legal process. BOM reserves the right to collect attorney's fees and any and all litigation costs incurred by BOM in the collection of unpaid accounts and repossession of any and all equipment. BOM further reserves the right as security for the services described herein to require a cash deposit of a minimum of one (1) months' projected usage. However, if credit worthiness has been proven and maintained BOM may waive this requirement.

Client shall release BOM from any and all claims, actions, proceeding, expenses, damages and liabilities, including attorney's fees, arising in connection with the provision of BOM services, including any loss or damages or cost caused by the failure or breakdown of said service or equipment. Any damages of any kind to Client for interruption in service is limited to refund of BOM charges for the period of service outage. The parties' obligations under this Agreement are subject to, and neither party shall be liable for, delays, failures to perform, or damage, or damage or destruction or malfunction of any equipment or any consequences thereof caused or occasioned by, or due to fire, flood, water, the elements, labor disputes and shortages, utility curtailments, power failures, explosions, and disturbances, governmental requisition, shortages of equipment or supplies, unavailability of transportation, acts or omissions of third parties. or any other cause beyond the parties' reasonable control. Further, BOM makes no warranty, whether expressed or implied, with respect to the services provided hereunder and expressly disclaims any warranty of merchantability, or warranty of fitness for a particular purpose, with the exception of BOM's proven negligence.

Upon prior written notice of consent is obtained from a party herein, the other party will keep in the strictest confidence all information identified by the under party as confidential, or which from the circumstance and adherence to common business practices, in good faith ought to be treated as confidential, such as but not limited to, information relating to parties' products, services, methods of operations, prices lists, customer lists, or other information of the business affairs of a party, its parent company, or its affiliated or subsidiary companies, which the party may acquire or become familiar with in connection with or as a result of the performance of this Agreement. It is hereby understood that should any such confidentiality be breached, such breach may cause BOM significant damages for which Client would be liable.

The failure of either party hereto to enforce or insist upon compliance with any of the provisions of the Agreement, or the waiver thereof, in any instance, shall not be constructed by the either party as a general waiver or relinquishment of any other provision of this Agreement, but the same shall, nonetheless be and remain in full force and effect.

This Agreement shall be, in all respects governed by and construed and enforced in accordance with the laws of the State of California. County of Los Angeles, including all matters of construction, validity, and performance. If any provision of this Agreement or its application shall be held invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, the validity, legality and enforceability of all other provisions and applications hereof shall not in any way be affected or impaired. Furthermore, client acknowledges that it has elected to be served by a private utility, that it is not a member of the general public or a portion thereof seeking protection by the Public Utilities Commission, and that it waives any right to such protection.

Client will not assign this Agreement nor assign any interest in or to any of the equipment therein to any person or persons without the prior written consent of BOM. BOM reserves the right to assign this Agreement or any interest in or to any of the equipment therein at its sole discretion. Further, Client understands that any telephone numbers assigned to Client are not transferable when service is discontinued and are the sole property of BOM. Client may not place a display advertisement in the "yellow pages" of any telephone directory or order a calling card or telephone directory under the assigned telephone number without the prior written consent of BOM.

This Agreement superseded all prior agreements, promises, understandings, statements, representations, warranties, indemnities and covenants and all inducements to the making of this Agreement relied upon by either party hereto, whether written or oral, between the parties hereto with respected the subject matter hereof and embodies the parties' complete and entire agreement with respect to the subject matter hereof. No statement of agreements, oral or written, made before the execution of this Agreement shall vary or modify the written terms hereof in any way whatsoever. The terms and conditions of this Agreement are subject to future changes, additions or modification of service as requested by Client and approved by Business Office Management, LLC.

Rates are subject to change by Business Office Management at any time,

without notice

_____	_____
BY: CLIENT	BY: BUSINESS OFFICE MANAGEMENT
_____	_____
NAME TITLE	NAME TITLE
_____	_____
DATE	DATE

EXHIBIT 10.7

LEASE AGREEMENT
(NNN R&D)

BASIC LEASE INFORMATION

Lease Date:	August 11, 1999
Landlord:	LINCOLN-RECP OLD OAKLAND OPCO, LLC, a Delaware limited liability company
Landlord's Address:	c/o Legacy Partners Commercial, Inc. 101 Lincoln Centre Drive, Fourth Floor Foster City, California 94404-1167
Tenant:	NetFlix.com, a Delaware corporation
Tenant's Address:	Before Commencement Date: 750 University Avenue Los Gatos, California 95032-7606 Attention: Barry McCarthy After Commencement Date: 750 University Avenue Los Gatos, California 95032-7607 Attention: Barry McCarthy
Premises:	Approximately 31,830 rentable square feet as shown on Exhibit A ---
Premises Address:	2219 Old Oakland Road San Jose, California 95131-1402
Building:	Approximately 55,976 rentable square feet
Lot (Building's tax parcel):	APN 237-01-044
Park:	Approximately 138,366 rentable square feet
Term:	November 1, 1999 ("Commencement Date"), through October 31, 2004 ("Expiration Date")
Base Rent ((P)3):	Thirty Six Thousand Six Hundred Five and 00/100 Dollars ($36,605.00) per month
Adjustments to Base Rent:	November 1, 2000 $38,196.00 November 1, 2001 $39,788.00 November 1, 2002 $41,379.00 November 1, 2003 $42,971.00
Security Deposit ((P)4):	Two Hundred Nineteen Thousand Six Hundred-Thirty and 00/100 Dollars ($219,630.00), subject to the adjustments set forth in Section 4 of the Lease.

*Tenant's Share of Operating Expenses ((P)6.1): 56.86% of the Building, 23% of the Park *Tenant's Share of Tax Expenses ((P)6.2): 23% of the Park *Tenant's Share of Common Area Utility Costs ((P)7): 56.86% of the Building, 23% of the Park *Tenant's Share of Utility Expenses ((P)7): 23% of the Building *The amount of Tenant's Share of the expenses as referenced above shall be subject to modification as set forth in this Lease.

Permitted Uses ((P)9):	Fulfillment and distribution center of DVD rental including general office and administration, marketing, R&D, storage, distribution and light manufacturing, but only to the extent permitted by the City of San Jose and all agencies and governmental authorities having jurisdiction thereof.
Unreserved Parking Spaces:	One hundred twenty-seven (127) non-exclusive and non-designated spaces
Broker ((P)38):	Cornish & Carey Commercial for Tenant Grubb & Ellis for Landlord

Exhibits:

Exhibit A -	Premises, Building, Lot and/or Park
Exhibit B -	Tenant Improvements
Exhibit C -	Rules and Regulations
Exhibit D -	Covenants, Conditions and Restrictions (Intentionally omitted)
Exhibit E -	Hazardous Materials Disclosure Certificate - Example
Exhibit F -	Change of Commencement Date - Example
Exhibit G -	Tenant's Initial Hazardous Materials Disclosure Certificate
Exhibit H -	Sign Criteria (Intentionally omitted)
Exhibit I -	Subordination, Non-Disturbance and Attornment Agreement

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LEASE AGREEMENT

Date: This Lease is made and entered into as of the Lease Date set forth on Page 1. The Basic Lease Information set forth on Page 1 and this Lease are and shall be construed as a single instrument.

1. PREMISES

Landlord hereby leases the Premises to Tenant upon the terms and conditions contained herein. Landlord hereby grants to Tenant a license for the right to use, on a non-exclusive basis, parking areas and ancillary facilities located within the Common Areas of the Park, subject to the terms of this Lease. Landlord and Tenant hereby agree that for purposes of this Lease, as of the Lease Date, the rentable square footage area of the Premises, the Building, the Lot and the Park shall be deemed to be the number of rentable square feet as set forth in the Basic Lease Information on Page 1. Tenant hereby acknowledges that the rentable square footage of the Premises may include a proportionate share of certain areas used in common by all occupants of the Building and/or the Park (for example an electrical room or telephone room). Tenant further agrees that the number of rentable square feet of the Building, the Lot and the Park may subsequently change after the Lease Date commensurate with any modifications to any of the foregoing by Landlord, and Tenant's Share shall accordingly change.

2. ADJUSTMENT OF COMMENCEMENT DATE; CONDITION OF THE PREMISES

2.1 If Landlord cannot deliver possession of the Premises on the Commencement Date, Landlord shall not be subject to any liability nor shall the validity of the Lease be affected; provided, the Lease Term and the obligation to pay Rent shall commence on the date possession is tendered in the condition required under this Lease (including the substantial completion of the Tenant Improvements), with all governmental permits required for such improvements, and the Base Rent Adjustment dates and the Expiration Date shall be extended commensurately. In the event the Commencement Date and/or the Expiration Date of this Lease is other than the Commencement Date and/or Expiration Date specified in the Basic Lease Information, as the case may be, Landlord and Tenant shall execute a written amendment to this Lease, substantially in the form of Exhibit F hereto, wherein the parties shall specify the actual commencement date, expiration date and the date on which Tenant is to commence paying Rent. The word "Term" whenever used herein refers to the initial term of this Lease and any extension thereof. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises in good condition and state of repair. Tenant hereby acknowledges and agrees that neither Landlord nor Landlord's agents or representatives has made ally representations or warranties as to the suitability, safety or fitness of the Premises for the conduct of Tenant's business, Tenant's intended use of the Premises or for any other purpose. Landlord shall deliver possession of the Premises with tile roof, HVAC system, electrical, plumbing and lighting in good working condition, all carpets cleaned, walls and ceiling in good repair "like new". Landlord shall repair, at its sole cost and expense, after receipt of Tenant's written notice thereof, which notice must be delivered to Landlord within the first ninety (90) days of the term of this Lease, any (i) defects in the Premises, and (ii) any mechanical and electrical systems serving the Premises which are not in good working order to the extent Tenant has not caused such systems to not be in good working order. If Tenant fails to timely deliver to Landlord any such written notice of the aforementioned defects or deficiencies within said 90-day period, Landlord shall have no obligation to perform any such work thereafter, except as specifically provided in this Lease.

Notwithstanding the foregoing to the contrary, (A) in the event that for reasons other than the occurrence of a Force Majeure Delay (as hereinafter defined) or a Tenant Delay (as hereinafter defined) the substantial completion of the Tenant Improvements ("T.I. Completion") has not occurred by the date which is one hundred twenty (120) days after the date the Lease is fully executed ("Termination Date"), Tenant may elect to terminate the Lease. Termination of the Lease by Tenant as provided for herein shall be the sole and exclusive remedy of Tenant for Landlord's failure to deliver the Premises. Tenant shall exercise the right to terminate provided for herein by giving Landlord written notice of its intent to so terminate ("Termination Notice"). The Termination Notice shall be given, if at all, on or before the date which is five (5) days after the Termination Date. Termination of the Lease shall be effective sixty (60) days after Landlord's receipt of the Termination Notice. In the event that Tenant gives the Termination Notice, and in the further event that during such sixty (60) day period, the TI Completion Date occurs, the Tenant shall not be entitled to terminate the Lease as provided for herein. For purposes of this paragraph the term "Force Majeure Delay" shall mean any actual delay beyond the reasonable control of Landlord in completion of the Tenant Improvements which is not a Tenant Delay and which is caused by, without limitation, any one or more of the following: (a) wars; (b) fire; (c) earthquake, flood or other natural disaster, (d) unusual and unforeseeable delay not within the reasonable control of Landlord; (e) casualties; (f) other acts of God; or (g) governmental action or inaction (including failure, refusal or delay in issuing permits, approvals and/or

authorizations), or injunction, permit appeal or court order requiring cessation of construction taking place in the Premises.

The Term "Tenant Delay" shall mean any delay in completion of the Tenant Improvements resulting from any or all of the following: (i) Tenant's failure to timely perform any of its obligations under the Lease, including any failure to complete on or before the date due thereof, any actual item which is Tenant's responsibility to complete or perform; (ii) Tenant's delay in approving plans, specifications, drawings, and any other documents setting forth and/or describing the Tenant Improvements, including, without limitation, the Final Drawings, beyond those periods of time permitted by the terms of the Lease;
(iii) Tenant's changes to Landlord and Tenant approved plans, specifications, drawings or any other documents describing and/or depicting the Tenant Improvements; (iv) Tenant's request for materials, finishes, or installations which are not readily available or which are incompatible with Landlord's standard materials, finishes or installations for the Premises; (v) Tenant's use or occupancy of the Premises during the construction of the Tenant Improvements or any act or failure to act by Tenant in connection with its use or occupancy of the Premises during the construction of the Tenant Improvements. Upon termination of the Lease by Tenant pursuant to the terms of this paragraph, Landlord shall promptly return all prepaid Rent to Tenant.

2.2 In the event Landlord permits Tenant to occupy the Premises prior to the Commencement Date, such occupancy shall be at Tenant's sole risk and subject to all the provisions of this Lease, including, but not limited to, the requirement to pay Rent and the Security Deposit, and to obtain the insurance required pursuant to this Lease and to deliver insurance certificates as required herein. Landlord shall permit Tenant to enter the Premises following full execution of this Lease, prior to the Commencement Date, for the purpose of installing its furniture, equipment, data, telecommunications and cabling systems and trade fixtures. Such use of the Premises shall be subject to all of the provisions the Lease, except the obligation to pay any Rent thereunder. In addition to the foregoing, Landlord shall have the right to impose such additional conditions on Tenant's early entry as Landlord shall deem appropriate. Landlord shall not allow any other tenant to occupy the portion of the Building adjacent to the Premises until the demising wall is installed.

3. RENT

On the date that Tenant executes this Lease, Tenant shall deliver to Landlord the original executed Lease, the Base Rent (which shall be applied against the Rent payable for the first month Tenant is required to pay Base Rent), the Security Deposit, and all insurance certificates evidencing the insurance required to be obtained by Tenant under Section 12 of this Lease. Tenant agrees to pay Landlord, without prior notice or demand, or abatement, offset, deduction or claim, the Base Rent specified in the Basic Lease Information, payable in advance at Landlord's address specified in the Basic Lease Information on the Commencement Date and thereafter on the first (1st) day of each month throughout the balance of the Term of the Lease. In addition to the Base Rent set forth in the Basic Lease Information, Tenant shall pay Landlord in advance on the Commencement Date and thereafter on the first (1st) day of each month throughout the balance of the Term of this Lease, as Additional Rent, Tenant's Share of Operating Expenses, Tax Expenses, Common Area Utility Costs, and Utility Expenses. Tenant shall also pay to Landlord as Additional Rent hereunder, immediately on Landlord's demand therefor, any and all costs and expenses incurred by Landlord to enforce the provisions of this Lease, including, but not limited to, costs associated with the delivery of notices, delivery and recordation of notice(s) of default, attorneys' fees, expert fees, court costs and filing fees (collectively, the "Enforcement Expenses"). The term "Rent" whenever used herein refers to the aggregate of all these amounts. If Landlord permits Tenant to occupy the Premises without requiring Tenant to pay rental payments for a period of time, the waiver of the requirement to pay rental payments shall only apply to waiver of the Base Rent and Tenant shall otherwise perform all other obligations of Tenant required hereunder. The Rent for any fractional part of a calendar month at the commencement or termination of the Lease term shall be a prorated amount of the Rent for a full calendar month based upon a thirty (30) day month. The prorated Rent shall be paid on the Commencement Date and the first day of the calendar monthinwhich the date of termination occurs, as the case may be.

4. SECURITY DEPOSIT

Upon Tenant's execution of this Lease, Tenant shall deliver to Landlord, as a Security Deposit for the performance by Tenant of its obligations under this Lease, the amount specified in the Basic Lease Information. If Tenant is in default, Landlord may, but without obligation to do so, use the Security Deposit, or any portion thereof, to cure the default or to compensate Landlord for all damages sustained by Landlord resulting from Tenant's default, including, but not limited to the Enforcement Expenses. Tenant shall, immediately on demand, pay to Landlord a sum equal to the portion of the Security Deposit so applied or used so as to replenish the amount of the Security Deposit held to increase such deposit to the amount initially deposited with Landlord. As soon as practicable after the termination of this Lease, Landlord shall return the Security Deposit to Tenant, less such amounts as are reasonably necessary, as determined solely by Landlord, to remedy Tenant's default(s) hereunder or to

otherwise restore the Premises to a clean and safe condition, reasonable wear and tear excepted. If the cost to restore the Premises exceeds the amount of the Security Deposit, Tenant shall promptly deliver to Landlord any and all of such excess sums as reasonably determined by Landlord. Landlord shall not be required to keep the Security Deposit separate from other funds, and, unless otherwise required by law, Tenant shall not be entitled to interest on the Security Deposit. In no event or circumstance shall Tenant have the right to any use of the Security Deposit and, specifically, Tenant may not use the Security Deposit as a credit or to otherwise offset any payments required hereunder, including, but not limited to, Rent or any portion thereof. Notwithstanding the foregoing, on the third anniversary of the Commencement Date of the Lease, or following Tenant's public offering of its stock and subsequent achievement of a net worth of at least Forty Million Dollars ($40,000,000.00) and such net worth is then sustained for three consecutive financial quarters and substantiated by financial reports provided by Tenant to Landlord, which ever event occurs sooner, and, so long as Tenant has not been in material default of the Lease beyond any applicable cure period, the Security Deposit shall be reduced to Forty Two Thousand Nine Hundred Seventy-One and 00/100 Dollars ($42,971.00). In the event that the Security Deposit is reduced, as set forth herein, Landlord and Tenant shall execute an Amendment to the Lease signifying such reduction in the Security Deposit and the excess amount of Security Deposit held by Landlord shall be immediately returned to Tenant.

5. TENANT IMPROVEMENTS

Tenant hereby accepts the Premises as suitable for Tenant's intended use and as being in good operating order, condition and repair, "AS IS", except as specified in Exhibit B attached hereto or elsewhere expressed in this Lease. Landlord or Tenant, as the case may be, shall install and construct the Tenant Improvements (as such term is defined in Exhibit B hereto) in accordance with the terms, conditions, criteria and provisions set forth in Exhibit B. Landlord and Tenant hereby agree to and shall be bound by the terms, conditions and provisions of Exhibit B. Tenant acknowledges and agrees that neither Landlord nor any of Landlord's agents, representatives or employees has made any representations as to the suitability, fitness or condition of the Premises for the conduct of Tenant's business or for any other purpose, including without limitation, any storage incidental thereto. Any exception to the foregoing provisions must be made by express written agreement by both parties.

6. ADDITIONAL RENT

It is intended by Landlord and Tenant that this Lease be a "triple net lease." The costs and expenses described in this Section 6 and all other sums, charges, costs and expenses specified in this Lease other than Base Rent are to be paid by Tenant to Landlord as additional rent (collectively, "Additional Rent").

6.1 Operating Expenses: In addition to the Base Rent set forth in Section 3, Tenant shall pay Tenant's Share, which is specified in the Basic Lease Information, of all Operating Expenses as Additional Rent. The term "Operating Expenses" as used herein shall mean the total amounts paid or payable by Landlord in connection with the ownership, maintenance, repair and operation of the Premises, the Building and the Lot, and where applicable, of the Park referred to in the Basic Lease Information. The amount of Tenant's Share of Operating Expenses shall be reviewed from time to time by Landlord and shall be subject to modification by Landlord if there is a change in the rentable square footage of the Premises, the Building and/or the Park. These Operating Expenses may include, but are not limited to:

6.1.1 Landlord's cost of repairs to, and maintenance of, the roof, the roof membrane and the exterior walls of the Building;

6.1.2 Landlord's cost of maintaining the outside paved area, landscaping and other common areas for the Park. The term "Common Areas" shall mean all areas and facilities within the Park exclusive of the Premises and the other portions of the Park leasable exclusively to other tenants. The Common Areas include, but are not limited to, interior lobbies, mezzanines, parking areas, access and perimeter roads, sidewalks, rail spurs, landscaped areas and similar areas and facilities;

6.1.3 Landlord's annual cost of insurance insuring against fire and extended coverage (including, if Landlord elects, "all risk" or "special purpose" coverage) and all other insurance, including, but not limited to, earthquake, flood and/or surface water endorsements for the Building, the Lot and the Park (including the Common Areas), rental value insurance against loss of Rent in an amount equal to the amount of Rent for a period of at least six
(6) months commencing on the date of loss, and subject to the provisions of
Section 27 below, any deductible;

6.1.4 Landlord's cost of: (i) modifications and/or new improvements to the Building, the Common Areas and/or the Park occasioned by any rules, laws or regulations effective subsequent to the date on which the Building was originally constructed; (ii) reasonably necessary replacement improvements to the Building, the Common Areas and the Park after the Lease Date; and (iii) new

improvements to the Building, the Common Areas and/or the Park that reduce operating costs (to the extent of the reduction) or improve life/safety conditions, all as reasonably determined by Landlord, provided, however, if any of the foregoing are in the nature of capital improvements, then the cost of such capital improvements shall be amortized over the life of the improvement at an interest rate reasonably determined by Landlord, and Tenant shall pay Tenant's Share of the monthly amortized portion of such costs (including interest charges) as part of the Operating Expenses herein;

6.1.5 If Landlord elects to so procure, Landlord's cost of preventative maintenance, and repair contracts including, but not limited to, contracts for elevator systems and heating, ventilation and air conditioning systems, lifts for disabled persons, and trash or refuse collection;

6.1.6 Landlord's cost of security and fire protection services for the Building and/or the Park, as the case may be, if in Landlord's sole discretion such services are provided;

6.1.7 Landlord's cost for the maintenance and repair of any rail spur and rail crossing, and for the creation and negotiation of, and pursuant to, any rail spur or track agreements, licenses, easements or other similar undertakings;

6.1.8 Landlord's cost of supplies, equipment, rental equipment and other similar items used in the operation and/or maintenance of the Park;

6.1.9 Landlord's cost for the repairs and maintenance items set forth in Section 11.2 below; and

6.1.10 Landlord's cost for the management and administration of the Premises, the Building and/or Park or any part thereof, including, without limitation, a property management fee, accounting, auditing, billing, postage, salaries and benefits for clerical and supervisory employees, whether located on the Park or off-site, payroll taxes and legal and accounting costs and all fees, licenses and permits related to the ownership, operation and management of the Park in an amount not to exceed three percent (3%) of the gross rents of the Park for the calendar year, or the amounts charged by comparable buildings in the area, whichever is less.

Notwithstanding anything to the contrary herein, Operating Expenses shall not include and Tenant shall in no event have any obligation to perform or to pay directly, or to reimburse Landlord for, any of the following repairs, maintenance, improvements, replacements, premiums, claims, charges, costs and expenses (collectively, "Costs"): (a) Costs occasioned by casualties excluding any deductibles or by the exercise of the power of eminent domain to the extent insurance proceeds subject to Section 24 of this Lease or a condemnation award is actually received by Landlord for such purposes; (b) Costs of any renovation, improvement or redecorating of any other premises in the Park; (c) Costs, including commissions, incurred in connection with negotiations or disputes with any other occupant (or prospective occupant) of the Park; (d) expense reserves; (e) interest, charges and fees incurred on debt; (f) Costs associated with the investigation, presence and/or remediation of Hazardous Materials (hereafter defined) present in, on or about the Premises, the Building or the Park, unless such costs and expenses are the responsibility of Tenant as provided in Section 29 of this Lease, in which event such costs and expenses shall be paid solely by Tenant in accordance with the provisions of Section 29 of this Lease; and (g) Costs incurred by Landlord with respect to the performance of its obligations in Section 11.3 below.

6.2 Tax Expenses: In addition to the Base Rent set forth in Section 3, Tenant shall pay its share, which is specified in the Basic Lease Information, of all real property taxes applicable to the land and improvements included within the Lot on which the Premises are situated and one hundred percent (100%) of all personal property taxes now or hereafter assessed or levied against the Premises or Tenant's personal property. The amount of Tenant's Share of Tax Expenses shall be reviewed from time to time by Landlord and shall be subject to modification by Landlord if there is a change in the rentable square footage of the Premises, the Building and/or the Park. Tenant shall also pay one hundred percent (100%) of any increase in real property taxes attributable, in Landlord's sole discretion, to any and all alterations, Tenant Improvements or other improvements of any kind, which are above standard improvements customarily installed for similar buildings located within the Building or the Park (as applicable), whatsoever placed in, on or about the Premises for the benefit of, at the request of, or by Tenant. The term "Tax Expenses" shall mean and include, without limitation, any form of tax and assessment (general, special, supplemental, ordinary or extraordinary), commercial rental tax, payments under any improvement bond or bonds, license fees, license tax, business license fee, rental tax, transaction tax, levy, or penalty imposed by authority having the direct or indirect power of tax (including any city, county, state or federal government, or any school, agricultural, lighting, drainage or other improvement district thereof) as against any legal or equitable interest of Landlord in the Premises, the Building, the Lot or the Park, as against Landlord's right to rent, or as against Landlord's business of leasing the Premises or the occupancy of Tenant or any other tax, fee, or excise, however described, including, but not limited to, any value added tax, or any tax imposed in substitution (partially or totally) of any tax previously included within the definition of real property taxes, or any additional tax the nature of which was previously included within the definition of real property taxes. The term "Tax

Expenses" shall not include any franchise, estate, inheritance, net income, or excess profits tax imposed upon Landlord, any assessments in excess of the amount which would be payable if such tax or assessment expense were paid in installments over the longest permitted term, any increases in taxes due to the improvement of the Park for the sole use of other occupants.

6.3 Payment of Expenses: Landlord shall estimate Tenant's Share of the Operating Expenses and Tax Expenses for the calendar year in which the Lease commences. Commencing on the Commencement Date, one-twelfth (1/12th) of this estimated amount shall be paid by Tenant to Landlord, as Additional Rent, and thereafter on the first (1st) day of each month throughout the remaining months of such calendar year. Thereafter, Landlord may estimate such expenses as of the beginning of each calendar year during the Term of this Lease and Tenant shall pay one-twelfth (1/12th) of such estimated amount as Additional Rent hereunder on the first (1st) day of each month during such calendar year and for each ensuing calendar year throughout the Term of this Lease. Tenant's obligation to pay Tenant's Share of Operating Expenses and Tax Expenses shall survive the expiration or earlier termination of this Lease.

6.4 Annual Reconciliation: By June 30th of each calendar year, or as soon thereafter as reasonably possible, Landlord shall endeavor to furnish Tenant with an accounting of actual Operating Expenses and Tax Expenses. Within thirty
(30) days of Landlord's delivery of such accounting, Tenant shall pay to Landlord the amount of any underpayment. Notwithstanding the foregoing, failure by Landlord to give such accounting by such date shall not constitute a waiver by Landlord of its right to collect any of Tenant's underpayment at any time. Landlord shall credit the amount of any overpayment by Tenant toward the next estimated monthly installment(s) falling due, or where the Term of the Lease has expired, refund the amount of overpayment to Tenant. If the Term of the Lease expires prior to the annual reconciliation of expenses Landlord shall have the right to reasonably estimate Tenant's Share of such expenses, and if Landlord determines that an underpayment is due, Tenant hereby agrees that Landlord shall be entitled to deduct such underpayment from Tenant's Security Deposit. If Landlord reasonably determines that an overpayment has been made by Tenant, Landlord shall refund said overpayment to Tenant as soon as practicable thereafter. Notwithstanding the foregoing, failure of Landlord to accurately estimate Tenant's Share of such expenses or to otherwise perform such reconciliation of expenses, including without limitation, Landlord's failure to deduct any portion of any underpayment from Tenant's Security Deposit, shall not constitute a waiver of Landlord's right to collect any of Tenant's underpayment at any time during the Term of the Lease or at any time after the expiration or earlier termination of this Lease.

6.5 Audit: After delivery to Landlord of at least thirty (30) days prior written notice, Tenant, at its sole cost and expense through any accountant designated by it, shall have the right to examine and/or audit the books and records evidencing such costs and expenses for the previous one (1) calendar year, during Landlord's reasonable business hours but not more frequently than once during any calendar year. The results of any such audit (and any negotiations between the parties related thereto) shall be maintained strictly confidential by Tenant and its accounting firm and shall not be disclosed, published or otherwise disseminated to any other party other than to Landlord and its authorized agents. Landlord and Tenant shall use their best efforts to cooperate in such negotiations and to promptly resolve any discrepancies between Landlord and Tenant in the accounting of such costs and expenses.

7. UTILITIES

Utility Expenses, Common Area Utility Costs and all other sums or charges set forth in this Section 7 are considered part of Additional Rent. In addition to the Base Rent set forth in Section 3 hereof, Tenant shall pay the cost of all water, sewer use, sewer discharge fees and sewer connection fees, gas, heat, electricity, refuse pickup, janitorial service, telephone and other utilities billed or metered separately to the Premises and/or Tenant. Tenant shall also pay Tenant's Share of any assessments or charges for utility or similar purposes included within any tax bill for the Lot on which the Premises are situated, including, without limitation, entitlement fees, allocation unit fees, and/or any similar fees or charges, and any penalties related thereto. For any such utility fees or use charges that are not billed or metered separately to Tenant, including without limitation, water and refuse pick up charges, Tenant shall pay to Landlord, as Additional Rent, without prior notice or demand, on the Commencement Date and thereafter on the first (1st) day of each month throughout the balance of the Term of this Lease the amount which is attributable to Tenant's use of the utilities or similar services, as reasonably estimated and determined by Landlord based upon factors such as size of the Premises and intensity of use of such utilities by Tenant such that Tenant shall pay the portion of such charges reasonably consistent with Tenant's use of such utilities and similar services ("Utility Expenses"). If Tenant disputes any such estimate or determination, then Tenant shall either pay the estimated amount or cause the Premises to be separately metered at Tenant's sole expense. In addition, Tenant shall pay to Landlord Tenant's Share of any Common Area utility costs, fees, charges or expenses ("Common Area Utility Costs"). Tenant shall pay to Landlord one-twelfth (1/12th) of the estimated amount of Tenant's Share of the Common Area Utility Costs on the Commencement Date and thereafter on the first (1st) day of each month throughout the balance of the Term of this Lease and any reconciliation thereof shall be substantially in the same

manner as specified in Section 6.4 above. The amount of Tenant's Share of Common Area Utility Costs shall be reviewed from time to time by Landlord and shall be subject to modification by Landlord if there is a change in the rentable square footage of the Premises, the Building and/or the Park. Tenant acknowledges that the Premises may become subject to the rationing of utility services or restrictions on utility use as required by a public utility company, governmental agency or other similar entity having jurisdiction thereof. Notwithstanding any such rationing or restrictions on use of any such utility services, Tenant acknowledges and agrees that its tenancy and occupancy hereunder shall be subject to such rationing restrictions as may be imposed upon Landlord, Tenant, the Premises, the Building or the Park, and Tenant shall in no event be excused or relieved from any covenant or obligation to be kept or performed by Tenant by reason of any such rationing or restrictions. Tenant further agrees to timely and faithfully pay, prior to delinquency, any amount, tax, charge, surcharge, assessment or imposition levied, assessed or imposed upon the Premises, or Tenant's use and occupancy thereof. Notwithstanding anything to the contrary contained herein, if permitted by applicable Laws, Landlord shall have the right at any time and from time to time during the Term of this Lease to either contract for service from a different company or companies (each such company shall be referred to herein as an "Alternate Service Provider") other than the company or companies presently providing electricity service for the Building or the Park (the "Electric Service Provider") or continue to contract for service from the Electric Service Provider, at Landlord's sole discretion. Tenant hereby agrees to cooperate with Landlord, the Electric Service Provider, and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, the Electric Service Provider, and any Alternate Service Provider reasonable access to the Building's electric lines, feeders, risers, wiring, and any other machinery within the Premises.

8. LATE CHARGES

Any and all sums or charges set forth in this Section 8 are considered part of Additional Rent. Tenant acknowledges that late payment (the fifth day of each month or any time thereafter) by Tenant to Landlord of Base Rent, Tenant's Share of Operating Expenses, Tax Expenses, Common Area Utility Costs, and Utility Expenses or other sums due hereunder, will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any note secured by any encumbrance against the Premises, and late charges and penalties due to the late payment of real property taxes on the Premises. Therefore, if any installment of Rent or any other sum due from Tenant is not received by Landlord when due, Tenant shall promptly pay to Landlord all of the following, as applicable: (a) an additional sum equal to ten percent (10%) of such delinquent amount (except on the first occasion that a late fee is charged in which case the additional sum shall be equal to eight percent (8%) plus interest on such delinquent amount at the rate equal to the prime rate plus three percent (3%) for the time period such payments are delinquent as a late charge for every month or portion thereof that such sums remain unpaid, (b) the amount of seventy-five dollars ($75) for each three-day notice prepared for, or served on, Tenant, (c) the amount of fifty dollars ($50) relating to checks for which there are not sufficient funds. Notwithstanding the foregoing, no late charge shall be due if Tenant has not been delinquent beyond the grace period in its payment of rent owed under this Lease during the one (1) year period preceding the rent delinquency in question. If Tenant delivers to Landlord a check for which there are not sufficient funds, Landlord may, at its sole option, require Tenant to replace such check with a cashier's check for the amount of such check. The parties agree that this late charge and the other charges referenced above represent a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge or other charges shall not constitute a waiver by Landlord of Tenant's default with respect to the delinquent amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord for any other breach of Tenant under this Lease. If a late charge or other charge becomes payable for any three (3) installments of Rent within any twelve (12) month period, then Landlord, at Landlord's sole option, can either require the Rent be paid quarterly in advance, or be paid monthly in advance by cashier's check or by electronic funds transfer.

9. USE OF PREMISES

9.1 Compliance with Laws, Recorded Matters, and Rules and Regulations: The Premises are to be used solely for the purposes and uses specified in the Basic Lease Information and for no other uses or purposes without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed so long as the proposed use (i) does not involve the use of Hazardous Materials other than as expressly permitted under the provisions of Section 29 below, (ii) does not require any additional parking in excess of the parking spaces already licensed to Tenant pursuant to the provisions of Section 24 of this Lease, and
(iii) is compatible and consistent with the other uses then being made in the Park and in other similar types of buildings in the vicinity of the Park, as reasonably determined by Landlord. The use of the Premises by Tenant and its employees, representatives, agents, invitees, licensees, subtenants, customers or contractors (collectively, "Tenant's Representatives") shall be subject to, and at all times in compliance with, (a) any and all applicable laws, ordinances, statutes, orders and regulations as same exist from time to time (collectively, the "Laws"), (b) any and all documents, matters or instruments, including without limitation, any declarations of covenants,

conditions and restrictions, and any supplements thereto, each of which has been or hereafter is recorded in any official or public records with respect to the Premises, the Building, the Lot and/or the Park, or any portion thereof (collectively, the "Recorded Matters"), and (c) any and all rules and regulations set forth in Exhibit C, attached to and made a part of this Lease, and any other reasonable rules and regulations promulgated by Landlord now or hereafter enacted relating to parking and the operation of the Premises, the Building and the Park (collectively, the "Rules and Regulations"). Tenant agrees to, and does hereby, assume full and complete responsibility to ensure that the Premises are adequate to fully meet the needs and requirements of Tenant's intended operations of its business within the Premises, and Tenant's use of the Premises and that same are in compliance with all applicable Laws throughout the Term of this Lease. Notwithstanding the foregoing, Tenant shall be solely responsible for the payment of all costs, fees and expenses associated with any modifications, improvements or alterations to the Premises, Building, the Common Areas and/or the Park occasioned by the enactment of, or changes to, any Laws arising from Tenant's particular use of the Premises or alterations, improvements or additions made to the Premises regardless of when such Laws became effective.

9.2 Prohibition on Use: Tenant shall not use the Premises or permit anything to be done in or about the Premises nor keep or bring anything therein which will in any way conflict with any of the requirements of the Board of Fire Underwriters or similar body now or hereafter constituted or in any way increase the existing rate of or affect any policy of fire or other insurance upon the Building or any of its contents, or cause a cancellation of any insurance policy. No auctions may be held or otherwise conducted in, on or about the Premises, the Building, the Lot or the Park without Landlord's written consent thereto, which consent may be given or withheld in Landlord's sole discretion. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of Landlord, other tenants or occupants of the Building, other buildings in the Park, or other persons or businesses in the area, or injure or annoy other tenants or use or allow the Premises to be used for any unlawful or objectionable purpose, as determined by Landlord, in its reasonable discretion, for the benefit, quiet enjoyment and use by Landlord and all other tenants or occupants of the Building or other buildings in the Park; nor shall Tenant cause, maintain or permit any private or public nuisance in, on or about the Premises, Building, Park and/or the Common Areas, including, but not limited to, any offensive odors, noises, fumes or vibrations. Tenant shall not damage or deface or otherwise commit any waste in, upon or about the Premises. Tenant shall not place or store, nor permit any other person or entity to place or store, any property, equipment, materials, supplies, personal property or any other items or goods outside of the Premises for any period of time. Tenant shall not permit any animals, including, but not limited to, any household pets, to be brought or kept in or about the Premises. Tenant shall place no loads upon the floors, walls, or ceilings in excess of the maximum designed load permitted by the applicable Uniform Building Code or which may damage the Building or outside areas; nor place any harmful liquids in the drainage systems; nor dump or store waste materials, refuse or other such materials, or allow such to remain outside the Building area, except for any non-hazardous or non-harmful materials which may be stored in refuse dumpsters or in any enclosed trash areas provided. Tenant shall honor the terms of all Recorded Matters relating to the Premises, the Building, the Lot and/or the Park. Tenant shall honor the Rules and Regulations. If Tenant fails to comply with such Laws, Recorded Matters, Rules and Regulations or the provisions of this Lease, Landlord shall have the right to collect from Tenant a reasonable sum as a penalty, in addition to all rights and remedies of Landlord hereunder including, but not limited to, the payment by Tenant to Landlord of all Enforcement Expenses and Landlord's costs and expenses, if any, to cure any of such failures of Tenant, if Landlord, at its sole option, elects to undertake such cure.

10. ALTERATIONS AND ADDITIONS; AND SURRENDER OF PREMISES

10.1 Alterations and Additions: Tenant shall not install any signs, fixtures, improvements, nor make or permit any other alterations or additions to the Premises without the prior written consent of Landlord which shall not be unreasonably withheld. If any such alteration or addition is expressly permitted by Landlord, Tenant shall deliver at least fifteen (15) days prior notice to Landlord, from the date Tenant intends to commence construction, sufficient to enable Landlord to post a Notice of Non-Responsibility. In all events, Tenant shall obtain all permits or other governmental approvals prior to commencing any of such work and deliver a copy of same to Landlord. All alterations and additions shall be installed by a licensed contractor approved by Landlord, at Tenant's sole expense in compliance with all applicable Laws (including, but not limited to, the ADA as defined herein), Recorded Matters, and Rules and Regulations. Tenant shall keep the Premises and the property on which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by or on behalf of Tenant. As a condition to Landlord's consent to the installation of any fixtures, additions or other improvements, Landlord may require Tenant to post and obtain a completion and indemnity bond for up to one hundred percent (100%) of the cost of the work. Tenant may request, upon submission of its written request to complete such alterations or additions, that Landlord inform Tenant at that time if Tenant will be required to remove such alterations or additions, upon Tenant's vacancy of the Premises, Landlord may, but shall have no obligation to, provide Landlord's determination, along with approval of the requested alterations or additions, as to whether such alterations or additions shall be required to be removed upon Tenant's vacancy.

Notwithstanding anything to the contrary contained herein, Tenant may install, make and permit to be made improvements, alterations and additions to the Premises without first obtaining Landlord's written consent thereto, provided that such improvements, alterations or additions to the Premises (a) are not structural and do not affect the structural integrity of the Premises and/or the Building, and/or (b) do not require the issuance of a building permit by the City of San Jose, and/or (c) do not require penetrations to the roof of the Building, and provided further that the cumulative cost of all such improvements, alterations and additions does not exceed ten thousand and 00/100 dollars ($10,000.00) in the aggregate over each twelve month period of the Term ("Permitted Improvements"). In all events, Tenant shall be required to submit to Landlord, at least ten (10) business days prior to commencement of any improvements, written notification of Tenant's intention to complete improvements along with all plans, specifications, or construction drawings of such improvements or alterations, Tenant shall cause all Permitted Improvements to be installed by a licensed contractor and Tenant shall keep the Premises and the property on which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by or on behalf of Tenant. Upon Landlord's request, at Tenant's sole expense, all such Permitted Improvements installed by Tenant shall be removed and the Premises shall be restored to its original condition at the expiration or earlier termination of this Lease.

10.2 Surrender of Premises: Upon the termination of this Lease, whether by forfeiture, lapse of time or otherwise, or upon the termination of Tenant's right to possession of the Premises, Tenant will at once surrender and deliver up the Premises, together with the fixtures (other than trade fixtures), additions and improvements which Landlord has notified Tenant, in writing, that Landlord will require Tenant not to remove, to Landlord in good condition and repair (including, but not limited to, replacing all light bulbs and ballasts not in good working condition) and in the condition in which the Premises existed as of the Commencement Date, except for reasonable wear and tear, and casualty and condemnation, subject to the provisions of Section 27 and Section
28. Reasonable wear and tear shall not include any damage or deterioration to the floors of the Premises arising from the use of forklifts in, on or about the Premises (including, without limitation, any marks or stains of any portion of the floors), and any damage or deterioration that would have been prevented by proper maintenance by Tenant or Tenant otherwise performing all of its obligations under this Lease. Upon such termination of this Lease, Tenant shall remove all tenant signage, trade fixtures, furniture, furnishings, personal property, and any additions, and improvements unless Landlord requests, in writing, that Tenant not remove some or all of such fixtures (other than trade fixtures), additions or improvements installed by, or on behalf of Tenant or situated in or about the Premises. By the date which is twenty (20) days prior to such termination of this Lease, Landlord shall notify Tenant in writing of those fixtures (other than trade fixtures), alterations, additions and other improvements which Landlord shall require Tenant not to remove from the Premises. Tenant shall repair any damage caused by the installation or removal of such signs, trade fixtures, furniture, furnishings, fixtures, additions and improvements which are to be removed from the Premises by Tenant hereunder. If Landlord fails to so notify Tenant at least twenty (20) days prior to such termination of this Lease, then Tenant shall remove all tenant signage, alterations, furniture, furnishings, trade fixtures, additions and other improvements (other than the Tenant Improvements) installed in or about the Premises by, or on behalf of Tenant. Tenant shall ensure that the removal of such items and the repair of the Premises will be completed prior to such termination of this Lease.

11. REPAIRS AND MAINTENANCE

11.1 Tenant's Repairs and Maintenance Obligations: Except for those portions of the Building to be maintained by Landlord, as provided in Sections 11.2 and 11.3 below, Tenant shall, at Tenant's sole cost and expense, keep and maintain the Premises and the adjacent dock and staging areas in good, clean and safe condition and repair to the reasonable satisfaction of Landlord including, but not limited to, repairing any damage caused by Tenant or Tenant's Representatives and replacing any property so damaged by Tenant or Tenant's Representatives. Without limiting the generality of the foregoing, Tenant shall be solely responsible for maintaining, repairing and replacing (a) components of all mechanical systems, heating, ventilation and air conditioning systems exclusively serving the Premises, except in the event that the entire replacement of such systems is necessary, then such cost shall be subject to
Section 6.1.4 of the Lease, (b) all plumbing, electrical wiring and equipment serving the Premises, (c) all interior lighting (including, without limitation, light bulbs and/or ballasts) and exterior lighting serving the Premises or adjacent to the Premises, (d) all glass, windows, window frames, window casements, skylights, interior and exterior doors, door frames and door closers,
(e) all roll-up doors, ramps and dock equipment, including without limitation, dock bumpers, dock plates, dock seals, dock levelers and dock lights, (f) all tenant signage, (g) lifts for disabled persons serving the Premises, (h) sprinkler systems, fire protection systems and security systems, (i) all partitions, fixtures, equipment, interior painting, and interior walls and floors of the Premises and every part thereof (including, without limitation, any demising walls contiguous to any portion of the Premises).

11.2 Reimbursable Repairs and Maintenance Obligations: Subject to the provisions of Sections 6 and 9 of this Lease and except for (i) the obligations of Tenant set forth in Section 11.1 above, (ii) the obligations of Landlord set forth in Section 11.3 below, and (iii) the repairs rendered necessary by

the intentional or negligent acts or omissions of Tenant or any of Tenant's Representatives, Landlord agrees, at Landlord's expense, subject to reimbursement pursuant to Section 6 above, to keep in good repair the plumbing and mechanical systems exterior to the Premises, any rail spur and rail crossing, the roof, roof membranes, exterior walls of the Building, signage (exclusive of tenant signage), and exterior electrical wiring and equipment, exterior lighting, exterior glass, exterior doors/entrances and door closers, exterior window casements, exterior painting of the Building (exclusive of the Premises), and underground utility and sewer pipes outside the exterior walls of the Building. For purposes of this Section 11.2, the term "exterior" shall mean outside of and not exclusively serving the Premises. Unless otherwise notified by Landlord, in writing, that Landlord has elected to procure and maintain the following described contract(s), Tenant shall procure and maintain (a) the heating, ventilation and air conditioning systems preventative maintenance and repair contract(s); such contract(s) to be on a bimonthly or quarterly basis, as reasonably determined by Landlord, and (b) the fire and sprinkler protection services and preventative maintenance and repair contract(s) (including, without limitation, monitoring services); such contract(s) to be on a bi-monthly or quarterly basis, as reasonably determined by Landlord. Landlord reserves the right, but without the obligation to do so, to procure and maintain (i) the heating, ventilation and air conditioning systems preventative maintenance and repair contract(s), and/or (ii) the fire and sprinkler protection services and preventative maintenance and repair contract(s) (including, without limitation, monitoring services). If Landlord so elects to procure and maintain any such contract(s), Tenant will reimburse Landlord for the cost thereof in accordance with the provisions of Section 6 above. If Tenant procures and maintains any of such contract(s), Tenant will promptly deliver to Landlord a true and complete copy of each such contract and any and all renewals or extensions thereof, and each service report or other summary received by Tenant pursuant to or in connection with such contract(s).

11.3 Landlord's Repairs and Maintenance Obligations: Except for repairs rendered necessary by the intentional or negligent acts or omissions of Tenant or any of Tenant's Representatives, Landlord agrees, at Landlord's sole cost and expense, to (a) keep in good repair the structural portions of the floors, foundations and exterior perimeter walls of the Building (exclusive of glass and exterior doors), and (b) replace the structural portions of the roof of the Building (excluding the roof membrane) as, and when, Landlord determines such replacement to be necessary in Landlord's reasonable discretion.

11.4 Tenant's Failure to Perform Repairs and Maintenance Obligations:
Except for normal maintenance and repair of the items described above, Tenant shall have no right of access to or right to install any device on the roof of the Building nor make any penetrations of the roof of the Building without the express prior written consent of Landlord. If Tenant refuses or neglects to repair and maintain the Premises and the adjacent areas properly as required herein and to the reasonable satisfaction of Landlord within applicable cure periods, Landlord may, but without obligation to do so, at any time make such repairs and/or maintenance without Landlord having any liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property, or to Tenant's business by reason thereof, except to the extent any damage is caused by the willful misconduct or gross negligence of Landlord or its authorized agents and representatives. In the event Landlord makes such repairs and/or maintenance, upon completion thereof Tenant shall pay to Landlord, as additional rent, the Landlord's costs for making such repairs and/or maintenance, plus twenty percent (20%) for overhead, upon presentation of a bill therefor, plus any Enforcement Expenses. The obligations of Tenant hereunder shall survive the expiration of the Term of this Lease or the earlier termination thereof. Tenant hereby waives any right to repair at the expense of Landlord under any applicable Laws now or hereafter in effect respecting the Premises.

12. INSURANCE

12.1 Types of Insurance: Tenant shall maintain in full force and effect at all times during the Term of this Lease, at Tenant's sole cost and expense, for the protection of Tenant and Landlord, as their interests may appear, policies of insurance issued by a carrier or carriers reasonably acceptable to Landlord and its lender(s) which afford the following coverages: (i) worker's compensation: statutory limits; (ii) employer's liability, as required by law, with a minimum limit of $100,000 per employee and $500,000 per occurrence; (iii) commercial general liability insurance (occurrence form) providing coverage against any and all claims for bodily injury and property damage occurring in, on or about the Premises arising out of Tenant's and Tenant's Representatives' use and/or occupancy of the Premises. Such insurance shall include coverage for blanket contractual liability, fire damage, premises, personal injury, completed operations, products liability, personal and advertising, and a plate-glass rider to provide coverage for all glass in, on or about the Premises including, without limitation, skylights. Such insurance shall have a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence with a Two Million Dollar ($2,000,000) aggregate limit and excess/umbrella insurance in the amount of Two Million Dollars ($2,000,000). If Tenant has other locations which it owns or leases, the policy shall include an aggregate limit per location endorsement. If necessary, as reasonably determined by Landlord, Tenant shall provide for restoration of the aggregate limit; (iv) comprehensive automobile liability insurance: a combined single limit of not less than $2,000,000 per occurrence and insuring Tenant against liability for claims arising out of the ownership, maintenance, or use of any owned, hired

or non-owned automobiles; (v) "all risk" or "special purpose" property insurance, including without limitation, sprinkler leakage, boiler and machinery comprehensive form, if applicable, covering damage to or loss of any personal property, trade fixtures, inventory, fixtures and equipment located in, on or about the Premises, and in addition, coverage for flood, earthquake, if flood and earthquake was available at commercially reasonable rates, and business interruption of Tenant, together with, if the property of Tenant's invitees is to be kept in the Premises, warehouser's legal liability or bailee customers insurance for the full replacement cost of the property belonging to invitees and located in the Premises. Such insurance shall be written on a replacement cost basis (without deduction for depreciation) in an amount equal to one hundred percent (100%) of the full replacement value of the aggregate of the items referred to in this subparagraph (v); and (vi) such other insurance as may otherwise be reasonably required by any of Landlord's lenders or joint venture partners.

12.2 Insurance Policies: Insurance required to be maintained by Tenant shall be written by companies (i) licensed to do business in the State of California, (ii) domiciled in the United States of America, and (iii) having a "General Policyholders Rating" of at least A:X (or such higher rating as may be required by a lender having a lien on the Premises) as set forth in the most current issue of "A.M. Best's Rating Guides." Any deductible amounts under any of the insurance policies required hereunder shall not exceed Ten Thousand Dollars ($10,000) unless specifically agreed to by Landlord on a case by case basis. Tenant shall deliver to Landlord certificates of insurance and true and complete copies of any and all endorsements required herein for all insurance required to be maintained by Tenant hereunder at the time of execution of this Lease by Tenant. Tenant shall, at least thirty (30) days prior to expiration of each policy, furnish Landlord with certificates of renewal or "binders" thereof. Each certificate shall expressly provide that such policies shall not be cancelable or otherwise subject to reduction except after thirty (30) days prior written notice to the parties named as additional insureds as required in this Lease (except for cancellation for nonpayment of premium, in which event cancellation shall not take effect until at least ten (10) days' notice has been given to Landlord). Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms of this Lease under a blanket insurance policy, provided such blanket policy expressly affords coverage for the Premises and for Landlord as required by this Lease.

12.3 Additional Insureds and Coverage: Landlord, any property management company and/or agent of Landlord for the Premises, the Building, the Lot or the Park, and any lender(s) of Landlord having a lien against the Premises, the Building, the Lot or the Park shall be named as additional insureds under all of the policies required in Section 12.1(iii) above. Additionally, such policies shall provide for severability of interest. All insurance to be maintained by Tenant shall, except for workers' compensation and employer's liability insurance, be primary subject to any waiver of subrogation, without right of contribution from insurance maintained by Landlord. Any umbrella/excess liability policy (which shall be in "following form") shall provide that if the underlying aggregate is exhausted, the excess coverage will drop down as primary insurance. The limits of insurance maintained by Tenant shall not limit Tenant's liability under this Lease. It is the parties' intention that the insurance to be procured and maintained by Tenant as required herein shall provide coverage for any and all damage or injury arising from or related to Tenant's operations of its business and/or Tenant's or Tenant's Representatives' use of the Premises and/or any of the areas within the Park, whether such events occur within the Premises (as described in Exhibit a hereto) or in any other areas of the Park. It is not contemplated or anticipated by the parties that the aforementioned risks of loss be borne by Landlord's insurance carriers, rather it is contemplated and anticipated by Landlord and Tenant that such risks of loss be borne by Tenant's insurance carriers pursuant to the insurance policies procured and maintained by Tenant as required herein.

12.4 Failure of Tenant to Purchase and Maintain Insurance: In the event Tenant does not purchase the insurance required in this Lease or keep the same in full force and effect throughout the Term of this Lease (including any renewals or extensions), Landlord may, but without obligation to do so, purchase the necessary insurance and pay the premiums therefor. If Landlord so elects to purchase such insurance, Tenant shall promptly pay to Landlord as Additional Rent, the amount so paid by Landlord, upon Landlord's demand therefor. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all Enforcement Expenses and damages which Landlord may sustain by reason of Tenant's failure to obtain and maintain such insurance. If Tenant fails to maintain any insurance required in this Lease, Tenant shall be liable for all losses, damages and costs resulting from such failure.

12.5 Landlord's Insurance: Landlord shall maintain in full force and effect during the Term of this Lease, subject to reimbursement as provided in
Section 6, policies of insurance which afford such coverages as are commercially reasonable and as is consistent with other properties in Landlord's portfolio. Landlord shall also procure such additional insurance coverage as Tenant shall reasonably request Landlord to obtain; provided, however, notwithstanding anything to the contrary contained herein, Tenant shall pay, and shall be solely responsible for, any and all costs, premiums and expenses of any such additional insurance, as Additional Rent, and Tenant shall pay same to Landlord within ten (10) days of Landlord's demand therefor. Landlord shall obtain and keep in force during the Term of this

Lease, as an item of Operating Expenses, a policy or policies in the name of Landlord, with loss payable to Landlord and to the holders of any mortgages, deeds of trust or ground leases on the Premises ("Lender(s)"), insuring loss or damage to the Building, including all improvements, fixtures (other than trade fixtures) and permanent additions. However, all alterations, additions and improvements made to the Premises by Tenant (other than the Tenant Improvements) shall be insured by Tenant rather than by Landlord. The amount of such insurance procured by Landlord shall be equal to one hundred percent (100%) of the full replacement cost of the Building (excluding the cost of excavation and installation of footings), including all improvements and permanent additions as the same shall exist from time to time, or the amount required by Lenders. At Landlord's option, such policy or policies shall insure against all risks of direct physical loss or damage (including, without limitation, the perils of earthquake), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered cause of loss. If any such insurance coverage procured by Landlord has a deductible clause, the deductible shall not exceed commercially reasonable amounts, and in the event of any casualty, the amount of such deductible shall be an item of Operating Expenses as so limited. Notwithstanding anything to the contrary contained herein, to the extent the cost of maintaining insurance with respect to the Building and/or any other buildings within the Park is increased as a result of Tenant's acts, omissions, alterations, improvements (including without limitation, the Tenant Improvements), use or occupancy of the Premises, Tenant shall pay one hundred percent (100%) of, and for, such increase(s) as Additional Rent.

13. WAIVER OF SUBROGATION

Notwithstanding anything to the contrary in this Lease, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss of, or damage to, either parties' property to the extent that such loss or damage is insured by an insurance policy required to be in effect at the time of such loss or damage or would have been insured had the waiving party carried the type of insurance required to be carried by such party under this Lease. Each party shall obtain any special endorsements, if required by its insurer whereby the insurer waives its rights of subrogation against the other party. This provision is intended to waive fully, and for the benefit of the parties hereto, any rights and/or claims which might give rise to a right of subrogation in favor of any insurance carrier. The coverage obtained by Tenant pursuant to Section 12 of this Lease shall include, without limitation, a waiver of subrogation endorsement attached to the certificate of insurance. The provisions of this Section 13 shall not apply in those instances in which such waiver of subrogation would invalidate such insurance coverage or would cause either party's insurance coverage to be voided or otherwise uncollectible. Notwithstanding anything to the contrary in this Lease, all of Landlord's and Tenant's repair and indemnity obligations under this Lease shall be subject to the waiver contained in this paragraph.

14. LIMITATION OF LIABILITY AND INDEMNITY

Except to the extent of damage resulting from the gross negligence or willful misconduct of Landlord or its authorized representatives or Landlord's material default of this Lease beyond any applicable cure periods, Tenant agrees to protect, defend (with counsel acceptable to Landlord) and hold Landlord and Landlord's lenders, partners, members, property management company (if other than Landlord), agents, directors, officers, employees, representatives, contractors, shareholders, successors and assigns and each of their respective partners, members, directors, employees, representatives, agents, contractors, shareholders, successors and assigns (collectively, the "Indemnitees") harmless and indemnify the Indemnitees from and against all liabilities, damages, claims, losses, judgments, charges and expenses (including reasonable attorneys' fees, costs of court and expenses necessary in the prosecution or defense of any litigation including the enforcement of this provision) arising from or in any way related to, directly or indirectly, (i) Tenant's or Tenant's Representatives' use of the Premises, Building and/or the Park, (ii) the conduct of Tenant's business, (iii) from any activity, work or thing done, permitted or suffered by Tenant in or about the Premises, (iv) in any way connected with the Premises or with the improvements or personal property therein, including, but not limited to, any liability for injury to person or property of Tenant, Tenant's Representatives, or third party persons, and/or (v) Tenant's failure to perform any covenant or obligation of Tenant under this Lease. Tenant agrees that the obligations of Tenant herein shall survive the expiration or earlier termination of this Lease.

Except to the extent of damage resulting from the gross negligence or willful misconduct of Landlord or its authorized representatives or Landlord's default of this Lease and failure to cure such default beyond any applicable cure period, to the fullest extent permitted by law, Tenant agrees that neither Landlord nor any of Landlord's lender(s), partners, members, employees, representatives, legal representatives, successors or assigns shall at any time or to any extent whatsoever be liable, responsible or in any way accountable for any loss, liability, injury, death or damage to persons or property which at any time may be suffered or sustained by Tenant or by any person(s) whomsoever who may at any time be using, occupying or visiting the Premises, the Building or the Park, including, but not limited to, any

acts, errors or omissions by or on behalf of any other tenants or occupants of the Building and/or the Park. Tenant shall not, in any event or circumstance, be permitted to offset or otherwise credit against any payments of Rent required herein for matters for which Landlord may be liable hereunder. Landlord and its authorized representatives shall not be liable for any interference with light or air, or for any latent defect in the Premises or the Building, subject to the repair requirements in Section 2.1.

15. ASSIGNMENT AND SUBLEASING

15.1 Prohibition: Except as expressly set forth herein with respect to a Related Entity, Tenant shall not assign, mortgage, hypothecate, encumber, grant any license or concession, pledge or otherwise transfer this Lease (collectively, "assignment"), in whole or in part, whether voluntarily or involuntarily or by operation of law, nor sublet or permit occupancy by any person other than Tenant of all or any portion of the Premises without first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. Tenant hereby agrees that Landlord may withhold its consent to any proposed sublease or assignment if the proposed sublessee or assignee or its business is subject to compliance with additional requirements of the ADA (defined below) and/or Environmental Laws (defined below) beyond those requirements which are applicable to Tenant, unless the proposed sublessee or assignee shall (a) first deliver plans and specifications for complying with such additional requirements and obtain Landlord's written consent thereto, and
(b) comply with all Landlord's conditions for or contained in such consent, including without limitation, requirements for security to assure the lien-free completion of such improvements. If Tenant seeks to sublet or assign all or any portion of the Premises, Tenant shall deliver to Landlord at least fifteen (15) days prior to the proposed commencement of the sublease or assignment (the "Proposed Effective Date") the following: (i) the name of the proposed assignee or sublessee; (ii) such information as to such assignee's or sublessee's financial responsibility and standing as Landlord may reasonably require; and
(iii) the aforementioned plans and specifications, if any. Within ten (10) days after Landlord's receipt of a written request from Tenant that Tenant seeks to sublet or assign all or any portion of the Premises, Landlord shall deliver to Tenant a copy of Landlord's standard form of sublease or assignment agreement (as applicable), which instrument shall be utilized for each proposed sublease or assignment (as applicable), and such instrument shall include a provision whereby the assignee or sublessee assumes all of Tenant's obligations hereunder and agrees to be bound by the terms hereof. As Additional Rent hereunder, Tenant shall pay to Landlord a fee in the amount of five hundred dollars ($500) plus Tenant shall reimburse Landlord for actual reasonable legal and other expenses incurred by Landlord in connection with any actual or proposed assignment or subletting. In the event the sublease or assignment (1) by itself or taken together with prior sublease(s) or partial assignment(s) covers or totals, as the case may be, more than twenty-five percent (25%) of the rentable square feet of the Premises or (2) is for a term which by itself or taken together with prior or other subleases or partial assignments is greater than seventy-five percent (75%) of the period remaining in the Term of this Lease as of the time of the Proposed Effective Date, then Landlord shall have the right, to be exercised by giving written notice to Tenant, to recapture the space described in the sublease or assignment. If such recapture notice is given, it shall serve to terminate this Lease with respect to the proposed sublease or assignment space, or, if the proposed sublease or assignment space covers all the Premises, it shall serve to terminate the entire term of this Lease in either case, as of the Proposed Effective Date. Notwithstanding the foregoing Landlord's recapture rights shall not apply to a Related Entity. However, no termination of this Lease with respect to part or all of the Premises shall become effective without the prior written consent, where necessary, of the holder of each deed of trust encumbering the Premises or any part thereof. Within fifteen (15) days of Landlord's receipt of Tenant's written request to sublease or assign the Lease or upon Landlord's notice to recapture to Tenant, Landlord will contact the holder of each deed of trust encumbering the Premises and attempt to obtain the required approval of such transaction. If this Lease is terminated pursuant to the foregoing with respect to less than the entire Premises, the Rent shall be adjusted on the basis of the proportion of square feet retained by Tenant to the square feet originally demised and this Lease as so amended shall continue thereafter in full force and effect. Each permitted assignee or sublessee, including without limitation, a Related Entity, shall assume and be deemed to assume this Lease and shall be and remain liable jointly and severally with Tenant for payment of Rent and for the due performance of, and compliance with all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed or complied with, for the term of this Lease. No assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease. Tenant hereby acknowledges and agrees that it understands that Landlord's accounting department may process and accept Rent payments without verifying that such payments are being made by Tenant, a permitted sublessee or a permitted assignee in accordance with the provisions of this Lease. Although such payments may be processed and accepted by such accounting department personnel, any and all actions or omissions by the personnel of Landlord's accounting department shall not be considered as acceptance by Landlord of any proposed assignee or sublessee nor shall such actions or omissions be deemed to be a substitute for the requirement that Tenant obtain Landlord's prior written consent to any such subletting or assignment, and

any such actions or omissions by the personnel of Landlord's accounting department shall not be considered as a voluntary relinquishment by Landlord of any of its rights hereunder nor shall any voluntary relinquishment of such rights be inferred therefrom. For purposes hereof, and except with respect to a Related Entity, in the event Tenant is a corporation, partnership, joint venture, trust or other entity other than a natural person, ally change in the direct or indirect ownership of Tenant which results in a transfer of the controlling interest of Tenant (51% or more of stock) by one party prior to a public offering shall be deemed to be an assignment within the meaning of this
Section 15 and shall be subject to all the provisions hereof provided however that the sale or other transfer of stock by Tenant shall not constitute a "change in ownership" requiring the prior written consent of Landlord if the sale or other transfer is traded through an exchange or over the counter. Except for a permissible assignment to a Related entity, any and all options, first rights of refusal, tenant improvement allowances and other similar rights granted to Tenant in this Lease, if any, shall not be assignable by Tenant unless expressly authorized in writing by Landlord. Notwithstanding anything to the contrary contained herein, so long as Tenant delivers to Landlord (1) at least fifteen (15) business days after written notice of its intention to assign or sublease the Premises to any Related Entity, which notice shall set forth the name of the Related Entity, (2) a copy of the proposed agreement pursuant to which such assignment or sublease shall be effectuated, and (3) such other information concerning the Related Entity as Landlord may reasonably require, including without limitation, information regarding any change in the proposed use of any portion of the Premises and any financial information with respect to such Related Entity, and so long as Landlord approves, in writing of any change in the proposed use of the subject portion of the Premises, then Tenant may assign this Lease or sublease any portion of the Premises to any Related Entity without having to obtain the prior written consent of Landlord thereto. For purposes of this Lease the term "Related Entity" shall mean and refer to (a) any corporation or entity which controls, is controlled by or is tinder common control with Tenant, as all of such terms are customarily used in the industry,
(b) an entity related to Tenant by merger, consolidation non bankruptcy, reorganization, or government action, or (c) a purchaser of substantially all of Tenant's assets, all with an equal or greater net worth as Tenant has as of the proposed transfer date.

15.2 Excess Sublease Rental or Assignment Consideration: In the event of any sublease or assignment of all or any portion of the Premises, except for Related Entity transfers or stock transfers, where the rent or other consideration provided for in the sublease or assignment either initially or over the term of the sublease or assignment exceeds the Rent or pro rata portion of the Rent, as the case may be, for such space reserved in the Lease, Tenant shall pay the Landlord monthly, as Additional Rent, at the same time as the monthly installments of Rent are payable hereunder, seventy-five percent (75%) of the excess of each such payment of rent or other consideration in excess of the Rent called for hereunder net of Tenant's reasonable costs to effectuate such assignment or sublease, limited to actual commissions paid, reasonable attorney's fees and standard tenant improvements installed by Tenant specifically for such transfer.

15.3 Waiver: Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee, or failure by Landlord to take action against any assignee or sublessee, Tenant agrees that Landlord may, at its option, proceed against Tenant without having taken action against or joined such assignee or sublessee, except that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee.

16. AD VALOREM TAXES

Prior to delinquency, Tenant shall pay all taxes and assessments levied upon trade fixtures, alterations, additions, improvements, inventories and personal property located and/or installed on or in the Premises by, or on behalf of, Tenant (other than the Tenant Improvements which Tenant shall pay Tenant's Share of pursuant to Section 6.2 above) and if requested by Landlord, Tenant shall promptly deliver to Landlord copies of receipts for payment of all such taxes and assessments. To the extent any such taxes are not separately assessed or billed to Tenant, Tenant shall pay the amount thereof as invoiced by Landlord.

17. SUBORDINATION

Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any bona fide mortgagee or deed of trust beneficiary with a lien on all or any portion of the Premises or any ground lessor with respect to the land of which the Premises are a part, the rights of Tenant under this Lease and this Lease shall be subject and subordinate at all times to: (i) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Building or the land upon which the Building is situated or both, and (ii) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Building, the Lot, ground leases or underlying leases, or Landlord's interest or estate in any of said items is specified as security. Notwithstanding the foregoing, Landlord or any such ground lessor, mortgagee, or any beneficiary shall have the right to subordinate or cause to be subordinated any such ground leases or underlying leases or any such liens to this Lease. If any ground lease or underlying

lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination and upon the request of such successor to Landlord, attorn to and become the Tenant of the successor in interest to Landlord, provided such successor in interest will not disturb Tenant's use, occupancy or quiet enjoyment of the Premises so long as Tenant is not in default of the terms and provisions of this Lease. The successor in interest to Landlord following foreclosure, sale or deed in lieu thereof shall not be (a) liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) subject to ally offsets which Tenant might have against any prior lessor; (c) bound by prepayment of more than one
(1) month's Rent, except in those instances when Tenant pays Rent quarterly in advance pursuant to Section 8 hereof, then not more than three months Rent; or
(d) liable to Tenant for any Security Deposit not actually received by such successor in interest to the extent any portion or all of such Security Deposit has not already been forfeited by, or refunded to, Tenant. Landlord shall be liable to Tenant for all or any portion of the Security Deposit not forfeited by, or refunded to Tenant, until and unless Landlord transfers such Security Deposit to the successor in interest. Tenant covenants and agrees to execute (and acknowledge if required by Landlord, any lender or ground lessor) and deliver, within ten (10) days of a demand or request by Landlord and in the form reasonably requested by Landlord, ground lessor, mortgagee or beneficiary, any additional documents evidencing the priority or subordination of this Lease with respect to any such ground leases or underlying leases or the lien of any such mortgage or deed of trust. Tenant's failure to timely execute and deliver such additional documents shall, at Landlord's option, constitute a material default hereunder. It is further agreed that Tenant shall be liable to Landlord, and shall indemnify Landlord from and against any loss, cost, damage or expense, incidental, consequential, or otherwise, arising or accruing directly or indirectly, from any failure of Tenant to execute or deliver to Landlord any such additional documents, together with any and all Enforcement Expenses. Notwithstanding any of the foregoing, prior to the Commencement Date, Landlord shall use reasonable efforts to cause the lender under any existing mortgages or deeds of trust encumbering the Building promptly to execute a nondisturbance and attornment agreement in a form mutually and reasonably acceptable to the beneficiary, Landlord and Tenant similar to the form attached in Exhibit I to this Lease. The subordination of this Lease to future loans is conditioned upon the execution by any such future lender to a nondisturbance agreement reasonably satisfactory to the beneficiary, Landlord and Tenant.

18. RIGHT OF ENTRY

Tenant grants Landlord or its agents the right to enter the Premises at all reasonable times upon 24 hours notice (except in cases of emergency) for purposes of inspection, exhibition, posting of notices, repair or alteration. Any such entry by Landlord and Landlord's agents shall comply with all reasonable security measures of Tenant and shall not impair Tenant's operations more than reasonably necessary. At Landlord's option, Landlord shall at all times have and retain a key with which to unlock all the doors in, upon and about the Premises, excluding Tenant's vaults and safes. It is further agreed that Landlord shall have the right to use any and all means Landlord deems necessary to enter the Premises in an emergency. Landlord shall have the right to place "for rent" or "for lease" signs on the outside of the Premises, the Building and in the Common Areas. Landlord shall also have the right to place "for sale" signs on the outside of the Building and in the Common Areas. Tenant hereby waives any claim from damages or for any injury or inconvenience to or interference with Tenant's business, or any other loss occasioned thereby except for any claim for any of the foregoing to the extent arising out of the gross negligence or willful misconduct of Landlord or its authorized representatives.

19. ESTOPPEL CERTIFICATE

Tenant shall execute (and acknowledge if required by any lender or ground lessor) and deliver to Landlord, within ten (10) days after Landlord provides such to Tenant, a statement in writing certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification), the date to which the Rent and other charges are paid in advance, if any, acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder or specifying such defaults as are claimed, and such other matters as Landlord may reasonably require. Any such statement may be conclusively relied upon by Landlord and any prospective purchaser or encumbrancer of the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that (a) this Lease is in full force and effect, without modification except as may be represented by Landlord; (b) there are no uncured defaults in Landlord's performance; and (c) not more than one month's Rent has been paid in advance, except in those instances when Tenant pays Rent quarterly in advance pursuant to
Section 8 hereof, then not more than three month's Rent has been paid in advance. Failure by Tenant to so deliver such certified estoppel certificate shall be a material default of the provisions of this Lease. Tenant shall be liable to Landlord, and shall indemnify Landlord from and against any loss, cost, damage or expense, incidental, consequential, or otherwise, arising or accruing directly or indirectly, from any failure of Tenant to execute or deliver to Landlord any such certified estoppel certificate, together with any and all Enforcement Expenses.

20. TENANT'S DEFAULT

The occurrence of any one or more of the following events shall, at Landlord's option, constitute a material default by Tenant of the provisions of this Lease:

20.1 The abandonment of the Premises by Tenant or the vacation of the Premises by Tenant which would cause any insurance policy to be invalidated or otherwise lapse. Tenant agrees to notice and service of notice as provided for in this Lease and waives any right to any other or further notice or service of notice which Tenant may have under any statute or law now or hereafter in effect;

20.2 The failure by Tenant to make any payment of Rent, Additional Rent or any other payment required hereunder within five (5) days of written notice of a delinquency. Tenant agrees that such written notice by Landlord shall serve as the statutorily required notice under the Law (including without limitation, any unlawful detainer statutes), and Tenant further agrees to notice and service of notice as provided for in this Lease and waives any right to any other or further notice or service of notice which Tenant may have under any statute or law now or hereafter in effect on the date said payment is due.;

20.3 The failure by Tenant to observe, perform or comply with any of the conditions, covenants or provisions of this Lease (except failure to make any payment of Rent and/or Additional Rent) and such failure is not cured within (i) thirty (30) days of the date on which Landlord delivers written notice of such failure to Tenant for all failures other than with respect to Hazardous Materials (defined in Section 29 hereof), and (ii) ten (10) days of the date on which Landlord delivers written notice of such failure to Tenant for all failures in any way related to Hazardous Materials. However, Tenant shall not be in default of its obligations hereunder if such failure cannot reasonably be cured within such thirty (30) or ten (10) day period, as applicable, and Tenant promptly commences, and thereafter diligently proceeds with same to completion, all actions necessary to cure such failure as soon as is reasonably possible, but in no event shall the completion of such cure be later than sixty (60) days after the date on which Landlord delivers to Tenant written notice of such failure, unless Landlord, acting reasonably and in good faith, otherwise expressly agrees in writing to a longer period of time based upon the circumstances relating to such failure as well as the nature of the failure and the nature of the actions necessary to cure such failure thirty (30) days after written notice of such failure, or such longer time as may reasonably be required to cure the default;

20.4 The making of a general assignment by Tenant for the benefit of creditors, the filing of a voluntary petition by Tenant or the filing of an involuntary petition by any of Tenant's creditors seeking the rehabilitation, liquidation, or reorganization of Tenant under any law relating to bankruptcy, insolvency or other relief of debtors and, in the case of an involuntary action, the failure to remove or discharge the same within sixty (60) days of such filing, the appointment of a receiver or other custodian to take possession of substantially all of Tenant's assets or this leasehold, Tenant's insolvency or inability to pay Tenant's debts or failure generally to pay Tenant's debts when due, any court entering a decree or order directing the winding up or liquidation of Tenant or of substantially all of Tenant's assets, Tenant taking any action toward the dissolution or winding up of Tenant's affairs, the cessation or suspension of Tenant's use of the Premises, or the attachment, execution or other judicial seizure of substantially all of Tenant's assets or this leasehold;

20.5 Tenant's use or storage of Hazardous Materials in, on or about the Premises, the Building, the Lot and/or the Park other than as expressly permitted by the provisions of Section 29 below; or

20.6 The making of any intentional material misrepresentation or omission by Tenant in any materials delivered by or on behalf of Tenant to Landlord pursuant to this Lease.

21. REMEDIES FOR TENANT's DEFAULT

21.1 Landlord's Rights: In the event of Tenant's material default under this Lease, Landlord may terminate Tenant's right to possession of the Premises by any lawful means in which case upon delivery of written notice by Landlord this Lease shall terminate on the date specified by Landlord in such notice and Tenant shall immediately surrender possession of the Premises to Landlord. In addition, the Landlord shall have the immediate right of re-entry whether or not this Lease is terminated, and if this right of re-entry is exercised following abandonment of the Premises by Tenant, Landlord may consider any personal property belonging to Tenant and left on the Premises to also have been abandoned. No re-entry or taking possession of the Premises by Landlord pursuant to this Section 21 shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant. If Landlord relets the Premises or any portion thereof, (i) Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises or any part thereof, including, without limitation, broker's commissions, expenses of cleaning, redecorating, and further improving the Premises and other similar costs (collectively, the "Reletting Costs"), and (ii) the rent received by Landlord from

such reletting shall be applied to the payment of, first, any indebtedness from Tenant to Landlord other than Base Rent, Operating Expenses, Tax Expenses, Common Area Utility Costs, and Utility Expenses; second, all costs including maintenance, incurred by Landlord in reletting; and, third, Base Rent, Operating Expenses, Tax Expenses, Common Area Utility Costs, Utility Expenses, and all other sums due under this Lease. Any and all of the Reletting Costs shall be fully chargeable to Tenant and shall not be prorated or otherwise amortized in relation to any new lease for the Premises or any portion thereof. After deducting the payments referred to above, any sum remaining from the rental Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event shall Tenant be entitled to any excess rent received by Landlord. Reletting may be for a period shorter or longer than the remaining term of this Lease. No act by Landlord other than giving written notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. So long as this Lease is not terminated, Landlord shall have the right to remedy any default of Tenant, to maintain or improve the Premises, to cause a receiver to be appointed to administer the Premises and new or existing subleases and to add to the Rent payable hereunder all of Landlord's reasonable costs in so doing, with interest at the maximum rate permitted by law from the date of such expenditure.

21.2 Damages Recoverable: If Tenant's right to possession is terminated by Landlord because of a breach or default under this Lease, then Landlord may recover from Tenant all damages suffered by Landlord as a result of Tenant's failure to perform its obligations hereunder, including, but not limited to, the cost of any Tenant Improvements constructed by or on behalf of Tenant pursuant to Exhibit B hereto to the extent allocated to the remainder of the Lease term, the portion of any broker's or leasing agent's commission incurred with respect to the leasing of the Premises to Tenant for the balance of the Term of the Lease remaining after the date on which Tenant is in default of its obligations hereunder, and all Reletting Costs, and the worth at the time of the award (computed in accordance with paragraph (3) of Subdivision (a) of Section 1951.2 of the California Civil Code) of the amount by which the Rent then unpaid hereunder for the balance of the Lease Term exceeds the amount of such loss of Rent for the same period which Tenant proves could be reasonably avoided by Landlord and in such case, Landlord prior to the award, may relet the Premises for the purpose of mitigating damages suffered by Landlord because of Tenant's failure to perform its obligations hereunder; provided, however, that even though Tenant has abandoned the Premises following such breach, this Lease shall nevertheless continue in full force and effect for as long as Landlord does not terminate Tenant's right of possession, and until such termination, Landlord shall have the remedy described in Section 1951.4 of the California Civil Code (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations) and may enforce all its rights and remedies under this Lease, including the right to recover the Rent from Tenant as it becomes due hereunder. The "worth at the time of the award" within the meaning of Subparagraphs (a)(l) and (a)(2) of Section 1951.2 of the California Civil Code shall be computed by allowing interest at the rate of ten percent (10%) per annum. Tenant waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other present or future law, in the event Tenant is evicted or Landlord takes possession of the Premises by reason of any default of Tenant hereunder.

21.3 Rights and Remedies Cumulative: The foregoing rights and remedies of Landlord are not exclusive; they are cumulative in addition to any rights and remedies now or hereafter existing at law, in equity by statute or otherwise, or to any equitable remedies Landlord may have, and to any remedies Landlord may have under bankruptcy laws or laws affecting creditor's rights generally. In addition to all remedies set forth above, if Tenant materially defaults under this Lease, any and all Base Rent waived by Landlord under Section 3 above shall be immediately due and payable to Landlord and all options granted to Tenant hereunder shall automatically terminate, unless otherwise expressly agreed to in writing by Landlord.

21.4 Waiver of a Default: The waiver by Landlord of any default of any provision of this Lease shall not be deemed or construed a waiver of any other default by Tenant hereunder or of any subsequent default of this Lease, except for the default specified in the waiver.

22. HOLDING OVER

If Tenant holds possession of the Premises after the expiration of the Term of this Lease with Landlord's consent, Tenant shall become a tenant from month- to-month upon the terms and provisions of this Lease, provided the monthly Base Rent during such hold over period shall be 150% of the Base Rent due on the last month of the Lease Term, payable in advance on or before the first day of each month. Acceptance by Landlord of the monthly Base Rent without the additional fifty percent (50%) increase of Base Rent shall not be deemed or construed as a waiver by Landlord of any of its rights to collect the increased amount of the Base Rent as provided herein at any time. Such month-to-month tenancy shall not constitute a renewal or extension for any further term. All options, if any, granted under the terms of this Lease shall be deemed automatically terminated and be of no force or effect during said month-to-

month tenancy. Tenant shall continue in possession until such tenancy shall be terminated by either Landlord or Tenant giving written notice of termination to the other party at least thirty (30) days prior to the effective date of termination. This paragraph shall not be construed as Landlord's permission for Tenant to hold over. Acceptance of Base Rent by Landlord following expiration or termination of this Lease shall not constitute a renewal of this Lease.

23. LANDLORD'S DEFAULT

Landlord shall not be deemed in breach or default of this Lease unless Landlord fails within a reasonable time to perform an obligation required to be performed by Landlord hereunder. For purposes of this provision, a reasonable time shall not be less than thirty (30) days after receipt by Landlord of written notice specifying the nature of the obligation Landlord has not performed; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days, after receipt of written notice, is reasonably necessary for its performance, then Landlord shall not be in breach or default of this Lease if performance of such obligation is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

24. PARKING

Tenant shall have a license to use the number of non-designated and non- exclusive parking spaces specified in the Basic Lease Information. Landlord shall exercise reasonable efforts to insure that such spaces are available to Tenant for its use.

25. SALE OF PREMISES

In the event of any sale of the Premises by Landlord or the cessation otherwise of Landlord's interest therein, Landlord shall be and is hereby entirely released from any and all of its obligations to perform or further perform under this Lease and from all liability hereunder accruing from or after the date of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease. For purposes of this Section 25, the term "Landlord" means only the owner and/or agent of the owner as such parties exist as of the date on which Tenant executes this Lease. A ground lease or similar long term lease by Landlord of the entire Building, of which the Premises are a part, shall be deemed a sale within the meaning of this Section
25. Tenant agrees to attorn to such new owner provided such new owner does not disturb Tenant's use, occupancy or quiet enjoyment of the Premises so long as Tenant is not in default of any of the provisions of this Lease.

26. WAIVER

No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such a right or remedy or be construed as a waiver. The subsequent acceptance of Rent by Landlord after default by Tenant of any covenant or term of this Lease shall not be deemed a waiver of such default, other than a waiver of timely payment for the particular Rent payment involved, and shall not prevent Landlord from maintaining an unlawful detainer or other action based on such breach. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly Rent and other sums due hereunder shall be deemed to be other than on account of the earliest Rent or other sums due, nor shall any endorsement or statement on any check or accompanying any check or payment be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or other sum or pursue any other remedy provided in this Lease. No failure, partial exercise or delay on the part of the Landlord in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

27. CASUALTY DAMAGE

27.1 Casualty. If the Premises or any part thereof (excluding any alterations or improvements installed by or for the benefit of Tenant) shall be damaged or destroyed by fire or other casualty, Tenant shall give immediate written notice thereof to Landlord. Within thirty (30) days after receipt by Landlord of such notice, Landlord shall notify Tenant, in writing, whether the necessary repairs can reasonably be made: (a) within ninety (90) days; (b) in more than ninety (90) days but in less than one hundred eighty (180) days; or
(c) in more than one hundred eighty (180) days, from the date of such notice.

27.1.1 Minor Insured Damage. If the Premises are damaged only to such extent that repairs, rebuilding and/or restoration can be reasonably completed within ninety (90) days, this Lease shall not terminate and, provided that insurance proceeds are available to fully repair the damage, or if Landlord has failed to procure and maintain the insurance required in Section 12.5, then Landlord shall provide the insurance proceeds that would have otherwise been provided therefore. Landlord shall repair

the Premises to substantially the same condition that existed prior to the occurrence of such casualty, except Landlord shall not be required to rebuild, repair, or replace any alterations or improvements installed by or for the benefit of Tenant or any part of Tenant's furniture, furnishings or fixtures and equipment removable by Tenant. The Rent payable hereunder shall be abated proportionately from the date Tenant vacates the Premises only to the extent rental abatement insurance proceeds are received by Landlord and the Premises are unfit for occupancy.

27.1.2 Insured Damage Requiring More Than 90 Days To Repair. If the Premises are damaged only to such extent that repairs, rebuilding and/or restoration can be reasonably completed in more than ninety (90) days but in less than one hundred eighty (180) days, then Landlord shall have the option of:
(a) terminating the Lease effective upon the occurrence of such damage, in which event the Rent shall be abated from the date Tenant vacates the Premises; or (b) electing to repair the Premises to substantially the same condition that existed prior to the occurrence of such casualty, provided insurance proceeds are available to fully repair the damage, or if Landlord has failed to procure and maintain the insurance required in Section 12.5, then Landlord shall provide the insurance proceeds that would have otherwise been provided therefore (except that the Landlord shall not be required to rebuild, repair, or replace any alterations or improvements installed by or for the benefit of Tenant or any part of Tenant's furniture, furnishings or fixtures and equipment removable by Tenant). The Rent payable hereunder shall be abated proportionately from the date Tenant vacates the Premises only to the extent rental abatement insurance proceeds are received by Landlord and the Premises are unfit for occupancy. If Landlord should fail to substantially complete such repairs within one hundred eighty (180) days after the date on which Landlord is notified by Tenant of the occurrence of such casualty (such 180-day period to be extended for delays caused by Tenant or any force majeure events), Tenant may within twenty (20) days after expiration of such one hundred eighty (180) day period (as same may be extended), terminate this Lease by delivering written notice to Landlord as Tenant's exclusive remedy, whereupon all rights of Tenant hereunder shall cease and terminate twenty (20) days after Landlord's receipt of such notice.

27.1.3 Major Insured Damage. If the premises are damaged to such extent that repairs, rebuilding and/or restoration cannot be reasonably completed within one hundred eighty (180) days, than either Landlord or Tenant may terminate this Lease by giving written notice within twenty (20) days after notice from Landlord regarding the time period of repair. If either party notifies the other of its intention to so terminate the Lease, then this Lease shall terminate and the Rent shall be abated from the date Tenant vacates the Premises. If neither party elects to terminate this Lease, Landlord shall promptly commence and diligently prosecute to completion the repairs to the Premises, provided insurance proceeds are available to fully repair the damage, or if Landlord has failed to procure and maintain the insurance required in Section 12.5, then Landlord shall provide the insurance proceeds that would have otherwise been provided therefore (except that Landlord shall not be required to rebuild, repair, or replace any alterations or improvements installed by or for the benefit of Tenant or any part of Tenant's furniture, furnishings or fixtures and equipment removable by Tenant). During the time when Landlord is prosecuting such repairs to completion, the Rent payable hereunder shall be abated proportionately from the date Tenant vacates the Premises only to the extent rental abatement insurance proceeds are received by Landlord and only during the time period that the Premises are unfit for occupancy.

27.1.4 Damage Near End of Term. Notwithstanding anything to the contrary contained in this Lease except for the provisions of Section 27.2 below, if the Premises are substantially damaged or destroyed during the last year of then applicable term of this Lease, Landlord may, at its option, cancel and terminate this Lease by giving written notice to Tenant of its election to do so within thirty (30) days after receipt by Landlord of notice from Tenant of the occurrence of such casualty. If Landlord so elects to terminate this Lease, all rights of Tenant hereunder shall cease and terminate thirty (30) days after Tenant's receipt of such notice.

27.2 Uninsured Casualty. Tenant shall be responsible for and shall pay to Landlord, as Additional Rent, any deductibles amount under the property insurance for the Premises and/or the Building. If any portion of the Premises is damaged and is not fully covered by insurance by insurance proceeds received by Landlord (and Tenant elects not to pay any such difference) or if the holder of any indebtedness secured by the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to the other party within thirty (30) days after the date of notice to Tenant of any such event, whereupon all rights and obligations shall cease and terminate hereunder, except for those obligations expressly provided for in this Lease to survive such termination of the Lease.

27.3 Tenant's Waiver. Landlord shall not be liable for any inconvenience or annoyance to Tenant, injury to the business of Tenant, loss of use of any part of the Premises by Tenant or loss of Tenant's personal property, resulting in any way from such damage, destruction or the repair thereof, except that, Landlord shall allow Tenant a fair diminution of Rent during the time and to the extent the Premises are unfit for occupancy as specifically provided above in this Section 27. With respect to any damage or destruction which Landlord is obligated to repair or may elect to repair, Tenant hereby waives

all rights to terminate this Lease or offset any amounts against Rent pursuant to rights accorded Tenant by any law currently existing or hereafter enacted, including but not limited to, all rights pursuant to the provisions of Sections 1932(2.), 1933(4.), 1941 and 1942 of the California Civil Code, as the same may be amended or supplemented from time to time. Whenever Base Rent is to be abated under this Lease, all Base Rent and Additional Rent shall be equitably abated based upon the extent to which Tenant's use of the Premises is diminished.

28. CONDEMNATION

If twenty-five percent (25%) or more of the Premises is condemned by eminent domain, inversely condemned or sold in lieu of condemnation for any public or quasi-public use or purpose ("Condemned"), then Tenant or Landlord may terminate this Lease as of the date when physical possession of the Premises is taken and title vests in such condemning authority, and Rent shall be adjusted to the date of termination. Tenant shall not because of such condemnation assert any claim against Landlord or the condemning authority for any compensation because of such condemnation, and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate of interest or other interest of Tenant; provided, however, that Tenant shall be entitled to receive, or to prosecute a separate claim for, a condemnation award for a temporary taking of the Premises or a portion thereof by a condemnor where this Lease is not terminated (to the extent such award related to the unexpired Term), or an award or portion thereof separately designated for relocation and moving expenses or the interruption of or damage to Tenant's business or as compensation for Tenant's personal property, trade fixtures or alterations or for loss of goodwill provided such award is separate from Landlord's award and provided further such separate award does not diminish or impair the award otherwise payable to Landlord. If neither party elects to terminate this Lease, Landlord shall, if necessary, promptly proceed to restore the Premises or the Building to substantially its same condition prior to such partial condemnation, allowing for the reasonable effects of such partial condemnation, and a proportionate allowance shall be made to Tenant, as solely determined by Landlord, for the Rent corresponding to the time during which, and to the part of the Premises of which, Tenant is deprived on account of such partial condemnation and restoration. Landlord shall not be required to spend funds for restoration in excess of the amount received by Landlord as compensation awarded.

29. ENVIRONMENTAL MATTERS/HAZARDOUS MATERIALS

29.1 Hazardous Materials Disclosure Certificate: Prior to executing this Lease, Tenant has completed, executed and delivered to Landlord Tenant's initial Hazardous Materials Disclosure Certificate (the "Initial HazMat Certificate"), a copy of which is attached hereto as Exhibit G and incorporated herein by this reference. Tenant covenants, represents and warrants to Landlord that the information on the Initial HazMat Certificate is true and correct and accurately describes the use(s) of Hazardous Materials which will be made and/or used on the Premises by Tenant. Tenant shall commencing with the date which is one year from the Commencement Date and continuing every year thereafter, complete, execute, and deliver to Landlord, a Hazardous Materials Disclosure Certificate ("the "HazMat Certificate") describing Tenant's present use of Hazardous Materials on the Premises, and any other reasonably necessary documents as requested by Landlord. The HazMat Certificate required hereunder shall be in substantially the form as that which is attached hereto as Exhibit E.

29.2 Definition of Hazardous Materials: As used in this Lease, the term Hazardous Materials shall mean and include (a) any hazardous or toxic wastes, materials or substances, and other pollutants or contaminants, which are or become regulated by any Environmental Laws; (b) petroleum, petroleum by products, gasoline, diesel fuel, crude oil or any fraction thereof; (c) asbestos and asbestos containing material, in any form, whether friable or non-friable;
(d) polychlorinated biphenyls; (e) radioactive materials; (f) lead and lead- containing materials; (g) any other material, waste or substance displaying toxic, reactive, ignitable or corrosive characteristics, as all such terms are used in their broadest sense, and are defined or become defined by any Environmental Law (defined below); or (h) any materials which cause or threatens to cause a nuisance upon or waste to any portion of the Premises, the Building, the Lot, the Park or any surrounding property; or poses or threatens to pose a hazard to the health and safety of persons on the Premises or any surrounding property.

29.3 Prohibition; Environmental Laws: Tenant shall not be entitled to use nor store any Hazardous Materials on, in, or about the Premises, the Building, the Lot and the Park, or any portion of the foregoing, without, in each instance, obtaining Landlord's prior written consent thereto. If Landlord consents to any such usage or storage, then Tenant shall be permitted to use and/or store only those Hazardous Materials that are necessary for Tenant's business and to the extent disclosed in the HazMat Certificate and as expressly approved by Landlord in writing, provided that such usage and storage is only to the extent of the quantities of Hazardous Materials as specified in the then applicable HazMat Certificate as expressly approved by Landlord and provided further that such usage and storage is in full compliance with any and all local, state and federal environmental, health and/or safety-related laws,

statutes, orders, standards, courts' decisions, ordinances, rules and regulations (as interpreted by judicial and administrative decisions), decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Tenant or all or any portion of the Premises (collectively, the "Environmental Laws"). Tenant agrees that any changes to the type and/or quantities of Hazardous Materials specified in the most recent HazMat Certificate may be implemented only with the prior written consent of Landlord, which consent may be given or withheld in Landlord's sole discretion. Tenant shall not be entitled nor permitted to install any tanks under, on or about the Premises for the storage of Hazardous Materials without the express written consent of Landlord, which may be given or withheld in Landlord's sole discretion. Landlord shall have the right at all times during the Term of this Lease to (i) inspect the Premises, (ii) conduct tests and investigations to determine whether Tenant is in compliance with the provisions of this Section 29, and (iii) request lists of all Hazardous Materials used, stored or otherwise located on, under or about any portion of the Premises and/or the Common Areas. The cost of all such inspections, tests and investigations shall be borne solely by Tenant, if Landlord reasonably determines that Tenant or any of Tenant's Representatives are directly or indirectly responsible in any manner for any contamination revealed by such inspections, tests and investigations. The aforementioned rights granted herein to Landlord and its representatives shall not create (a) a duty on Landlord's part to inspect, test, investigate, monitor or otherwise observe the Premises or the activities of Tenant and Tenant's Representatives with respect to Hazardous Materials, including without limitation, Tenant's operation, use and any remediation related thereto, or (b) liability on the part of Landlord and its representatives for Tenant's use, storage, disposal or remediation of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

29.4 Tenant's Environmental Obligations: Tenant shall give to Landlord immediate verbal and follow-up written notice of any spills, releases, discharges, disposals, emissions, migrations, removals or transportation of Hazardous Materials on, under or about any portion of the Premises or in any Common Areas. Tenant, at its sole cost and expense, covenants and warrants to promptly investigate, clean up, remove, restore and otherwise remediate (including, without limitation, preparation of any feasibility studies or reports and the performance of any and all closures) any spill, release, discharge, disposal, emission, migration or transportation of Hazardous Materials arising from or related to the intentional or negligent acts or omissions of Tenant or Tenant's Representatives such that the affected portions of the Park and any adjacent property are returned to the condition existing prior to the appearance of such Hazardous Materials. Any such investigation, clean up, removal, restoration and other remediation shall only be performed after Tenant has obtained Landlord's prior written consent, which consent shall not be unreasonably withheld so long as such actions would not potentially have a material adverse long-term or short-term effect on any portion of the Premises, the Building, the Lot or the Park. Notwithstanding the foregoing, Tenant shall be entitled to respond immediately to an emergency without first obtaining Landlord's prior written consent. Tenant, at its sole cost and expense, shall conduct and perform, or cause to be conducted and performed, all closures as required by any Environmental Laws or any agencies or other governmental authorities having jurisdiction thereof. If Tenant fails to so promptly investigate, clean up, remove, restore, provide closure or otherwise so remediate, Landlord may, but without obligation to do so, take any and all steps necessary to rectify the same and Tenant shall promptly reimburse Landlord, upon demand, for all costs and expenses to Landlord of performing investigation, clean up, removal, restoration, closure and remediation work. All such work undertaken by Tenant, as required herein, shall be performed in such a manner so as to enable Landlord to make full economic use of the Premises, the Building, the Lot and the Park after the satisfactory completion of such work.

29.5 Environmental Indemnity: In addition to Tenant's obligations as set forth hereinabove, Tenant and Tenant's officers and directors agree to, and shall, protect, indemnify, defend (with counsel acceptable to Landlord) and hold Landlord and the other Indemnitees harmless from and against any and all claims, judgments, damages, penalties, fines, liabilities, losses (including, without limitation, diminution in value of any portion of the Premises, the Building, the Lot or the Park, damages for the loss of or restriction on the use of rentable or usable space, and from any adverse impact of Landlord's marketing of any space within the Building and/or Park), suits, administrative proceedings and costs (including, but not limited to, attorneys' and consultant fees and court costs) arising at any time during or after the Term of this Lease in connection with or related to, directly or indirectly, the use, presence, transportation, storage, disposal, migration, removal, spill, release or discharge of Hazardous Materials on, in or about any portion of the Premises, the Common Areas, the Building, the Lot or the Park as a result (directly or indirectly) of the presence of storage, use, release or emission of Hazardous Materials by Tenant or any of Tenant's Representatives. The written consent of Landlord to the presence, use or storage of Hazardous Materials in, on, under or about any portion of the Premises, the Building, the Lot and/or the Park, or the strict compliance by Tenant with all Environmental Laws shall not excuse Tenant and Tenant's officers and directors from its obligations of indemnification pursuant hereto. Tenant shall not be relieved of its indemnification obligations under the provisions of this Section 29.5 due to Landlord's status as either an "owner" or "operator" under any Environmental Laws.

29.6 Survival: Tenant's obligations and liabilities pursuant to the provisions of this Section 29 shall survive the expiration or earlier termination of this Lease. If it is determined by Landlord that the condition of all or any portion of the Premises, the Building, the Lot and/or the Park is not in compliance with the provisions of this Lease with respect to Hazardous Materials, including without limitation all Environmental Laws at the expiration or earlier termination of this Lease, then in Landlord's sole discretion, Landlord may require Tenant to hold over possession of the Premises until Tenant can surrender the Premises to Landlord in the condition in which the Premises existed as of the Commencement Date and prior to the appearance of such Hazardous Materials except for reasonable wear and tear, including without limitation, the conduct or performance of any closures as required by any Environmental Laws. The burden of proof hereunder shall be upon Tenant. For purposes hereof, the term "reasonable wear and tear" shall not include any deterioration in the condition or diminution of the value of any portion of the Premises, the Building, the Lot and/or the Park in any manner whatsoever related to directly, or indirectly, Hazardous Materials. Any such holdover by Tenant will be with Landlord's consent, will not be terminable by Tenant in any event or circumstance and will otherwise be subject to the provisions of Section 22 of this Lease. This Section 29 constitutes the entire agreement of Landlord and Tenant regarding Hazardous Materials. No other provision of this Lease shall be deemed to apply thereto.

29.7 Disclosure: Pursuant to the provisions of California Health & Safety Code (S)25359.7 (as amended, supplemented and replaced from time to time), Landlord hereby discloses to Tenant that as of the Lease Date the Lot contains certain Hazardous Materials as such Hazardous Materials are more particularly described and set forth in that certain Phase I Environmental Site Assessment, dated December 1997, prepared by Brown and Caldwell (the "Environmental Report"). Landlord acknowledges and agrees that none of the environmental conditions or presence of Hazardous Materials on, in or under the Lot as described in the Environmental Report has been in any way caused by Tenant or any of Tenant's Representatives. Tenant hereby acknowledges and agrees as follows: (a) prior to executing this Lease a copy has been made available at Landlord's offices located at 2026 West Winton Avenue in Hayward, California for Tenant's review; (b) except for permissibly disclosing such information to its employees and invitees, to maintain the information contained therein strictly confidential and not to make or disseminate copies of such documents or the information contained therein to any party or person without first obtaining Landlord's written consent thereto, (c) not to disseminate or otherwise permit any employee, agent or other person over which Tenant has lawful authority to copy, publish or otherwise disseminate the Environmental Report or the information contained therein (except as may be lawfully compelled or otherwise required by valid rule, regulation or law); and (d) Landlord has made available to Tenant the Environmental Report for informational purposes only and Tenant may not rely upon the information contained in the Environmental Report unless and until Tenant obtains the environmental firms' written consent to such reliance thereon by Tenant.

29.8 Tenant's Exculpation. Tenant shall not be liable for nor otherwise obligated to Landlord under any provision of the lease with respect to (i) any claim, remediation obligation, investigation obligation, liability, cause of action, attorney's fees, consultants' cost, expense or damage resulting from any Hazardous Material present in, on or about the Premises or any of the Buildings in the Park to the extent not caused nor otherwise permitted, directly or indirectly, by Tenant or Tenant's Representatives; or (ii) the removal, investigation, monitoring or remediation of any Hazardous Material present in, on or about the Premises, the Building or the Park caused by any source, including third parties other than Tenant and Tenant's Representatives, as a result of or in connection with the acts or omissions of persons other than Tenant or Tenant's Representatives; provided, however, Tenant shall be fully liable for and otherwise obligated to Landlord under the provisions of this Lease for all liabilities, costs, damages, penalties, claims judgments, expenses (including without limitation, attorneys' and experts' fees and costs) and losses to the extent (a) Tenant or any of Tenant's Representatives contributes to the presence of such Hazardous Materials or Tenant and/or any of Tenant's Representatives exacerbates the conditions caused by such Hazardous Materials, or (b) Tenant and/or Tenant's Representatives allows or permits persons over which Tenant or any of Tenant's Representatives has control and/or for which Tenant or any of Tenant's Representatives are legally responsible for, to cause such Hazardous Materials to be present in, on, under, through or about any portion of the Premises, the Building or the Park, or does not take a reasonably appropriate actions to prevent such persons over which Tenant or any of Tenant's Representatives has control and/or for which Tenant or any of Tenant's Representatives are legally responsible from causing the presence of Hazardous Materials in, on, under, through or about any portion of the Premises, the Building or the Park.

30. FINANCIAL STATEMENTS

Tenant, for the reliance of Landlord, any lender holding or anticipated to acquire a lien upon the Premises, the Building or the Park or any portion thereof, or any prospective purchaser of the Building or the Park or any portion thereof, within ten (10) days after Landlord's request therefor, but not more often than once annually so long as Tenant is not in material default of this Lease, shall deliver to Landlord the

then current publicly available audited financial statements of Tenant (including interim periods following the end of the last fiscal year for which annual statements are available) which statements shall be prepared or compiled in accordance with generally accepted accounting principles and shall present fairly the financial condition of Tenant at such dates and the result of its operations and changes in its financial positions for the periods ended on such dates. If an audited financial statement has not been prepared, Tenant shall provide Landlord with an unaudited financial statement and/or such other information, the type and form of which are acceptable to Landlord in Landlord's reasonable discretion, which reflects the financial condition of Tenant.

31. GENERAL PROVISIONS

31.1 Time. Time is of the essence in this Lease and with respect to each and all of its provisions in which performance is a factor.

31.2 Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

31.3 Recordation. Tenant shall not record this Lease or a short form memorandum hereof without the prior written consent of the Landlord.

31.4 Landlord's Personal Liability. The liability of Landlord (which, for purposes of this Lease, shall include Landlord and the owner of the Building if other than Landlord) to Tenant for any default by Landlord under the terms of this Lease shall be limited to the actual interest of Landlord and its present or future partners or members in the Building, and Tenant agrees to look solely to the Building for satisfaction of any liability and shall not look to other assets of Landlord nor seek any recourse against the assets of the individual partners, members, directors, officers, shareholders, agents or employees of Landlord (including without limitation, any property management company of Landlord); it being intended that Landlord and the individual partners, members, directors, officers, shareholders, agents and employees of Landlord (including without limitation, any property management company of Landlord) shall not be personally liable in any manner whatsoever for any judgment or deficiency. The liability of Landlord under this Lease is limited to its actual period of ownership of title to the Building, and Landlord shall be automatically released from further performance under this Lease upon transfer of Landlord's interest in the Premises or the Building.

31.5 Separability. Any provisions of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provisions hereof and such other provision shall remain in full force and effect.

31.6 Choice of Law. This Lease shall be governed by, and construed in accordance with, the laws of the State of California.

31.7 Attorneys' Fees. In the event any dispute between the parties results in litigation or other proceeding, the prevailing party shall be reimbursed by the party not prevailing for all reasonable costs and expenses, including, without limitation, reasonable attorneys' and experts' fees and costs incurred by the prevailing party in connection with such litigation or other proceeding, and any appeal thereof. Such costs, expenses and fees shall be included in and made a part of the judgment recovered by the prevailing party, if any.

31.8 Entire Agreement. This Lease supersedes any prior agreements, representations, negotiations or correspondence between the parties, and contains the entire agreement of the parties on matters covered. No other agreement, statement or promise made by any party, that is not in writing and signed by all parties to this Lease, shall be binding.

31.9 Warranty of Authority. Landlord and Tenant each represent and warrant that (1) the person executing this Lease on such party's behalf is duly and validly authorized to do so on behalf of the entity it purports to so bind, and
(2) if such party is a partnership, corporation or trustee, that such partnership, corporation or trustee has full right and authority to enter into this Lease and perform all of its obligations hereunder. Tenant hereby warrants that this Lease is valid and binding upon Tenant and enforceable against Tenant.

31.10 Notices. Any and all notices and demands required or permitted to be given hereunder to Landlord shall be in writing and shall be sent: (a) by United States mail, certified and postage prepaid; or (b) by personal delivery; or (c) by overnight courier, addressed to Landlord at 101 Lincoln Centre Drive, Fourth Floor, Foster City, California 94404-1167. Any and all notices and demands required or permitted to be given hereunder to Tenant shall be in writing and shall be sent: (i) by United States mail, certified and postage prepaid; or (ii) by personal delivery to any employee or agent of Tenant over the age of eighteen
(18) years of age; or (iii) by overnight courier, all of which shall be addressed to Tenant

at the address on the front page hereof. Notice and/or demand shall be deemed given upon the earlier of actual receipt or the third business day following deposit in the United States mail. Any notice or requirement of service required by any statute or law now or hereafter in effect, including, but not limited to, California Code of Civil Procedure Sections 1161, 1161.1, and 1162 (including any amendments, supplements or substitutions thereof), is hereby waived by Tenant.

31.11 Joint and Several. If Tenant consists of more than one person or entity, the obligations of all such persons or entities shall be joint and several.

31.12 Covenants and Conditions. Each provision to be performed by Tenant hereunder shall be deemed to be both a covenant and a condition.

31.13 Waiver of Jury Trial. The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way related to this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, the Building or the Park, and/or any claim of injury, loss or damage.

31.14 Underlining. The use of underlining within the Lease is for Landlord's reference purposes only and no other meaning or emphasis is intended by this use, nor should any be inferred.

31.15 Merger. The voluntary or other surrender of this Lease by Tenant, the mutual termination or cancellation hereof by Landlord and Tenant, or a termination of this Lease by Landlord for a material default by Tenant hereunder, shall not work a merger, and, at the sole option of Landlord, (i) shall terminate all or any existing subleases or subtenancies, or (ii) may operate as an assignment to Landlord of any or all of such subleases or subtenancies. Landlord's election of either or both of the foregoing options shall be exercised by delivery by Landlord of written notice thereof to Tenant and all known subtenants under any sublease.

32. SIGNS

Tenant shall have the right to share the signage with the occupant of the balance of the Building all signs and graphics of every kind visible in or from public view or corridors or the exterior of the Premises shall be subject to Landlord's prior written approval and shall be subject to any applicable governmental laws, ordinances, and regulations and in compliance with Landlord's sign criteria as same may exist from time to time or as set forth in Exhibit H hereto and made a part hereof. Tenant shall remove all such signs and graphics prior to the termination of this Lease. Such installations and removals shall be made in a manner as to avoid damage or defacement of the Premises; and Tenant shall repair any damage or defacement, including without limitation, discoloration caused by such installation or removal. Landlord shall have the right, at its option, to deduct from the Security Deposit such sums as are reasonably necessary to remove such signs, including, but not limited to, the costs and expenses associated with any repairs necessitated by such removal. Notwithstanding the foregoing, in no event shall any: (a) neon, flashing or moving sign(s) or (b) sign(s) which shall interfere with the visibility of any sign, awning, canopy, advertising matter, or decoration of any kind of any other business or occupant of the Building or the Park be permitted hereunder. Tenant further agrees to maintain any such sign, awning, canopy, advertising matter, lettering, decoration or other thing as may be approved in good condition and repair at all times.

33. MORTGAGEE PROTECTION

Upon any default on the part of Landlord, Tenant will give written notice by registered or certified mail to any beneficiary of a deed of trust or mortgagee of a mortgage covering the Premises who has provided Tenant with notice of their interest together with an address for receiving notice, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default (which, in no event shall be less than ninety (90) days), including time to obtain possession of the Premises by power of sale or a judicial foreclosure, if such should prove necessary to effect a cure. If such default cannot be cured within such time period, then such additional time as may be necessary will be given to such beneficiary or mortgagee to effect such cure so long as such beneficiary or mortgagee has commenced the cure within the original time period and thereafter diligently pursues such cure to completion, in which event this Lease shall not be terminated while such cure is being diligently pursued. Tenant agrees that each lender to whom this Lease has been assigned by Landlord is an express third party beneficiary hereof. Tenant shall not make any prepayment of Rent more than one (1) month in advance without the prior written consent of each such lender, except if Tenant is required to make quarterly payments of Rent in advance pursuant to the provisions of Section 8 above. Tenant waives the collection of any deposit from such lender(s) or any purchaser at a foreclosure sale of such lender(s)' deed of trust unless the lender(s) or such purchaser shall have actually received and not refunded the deposit. Tenant agrees to make all payments under this Lease to the lender with the most senior encumbrance upon receiving a direction, in

writing, to pay said amounts to such lender. Tenant shall comply with such written direction to pay without determining whether an event of default exists under such lender's loan to Landlord.

34. QUITCLAIM

Upon any termination of this Lease, Tenant shall, at Landlord's request, execute, have acknowledged and deliver to Landlord a quitclaim deed of Tenant's interest in and to the Premises.

35. MODIFICATIONS FOR LENDER

If, in connection with obtaining financing for the Premises or any portion thereof, Landlord's lender shall request reasonable modification(s) to this Lease as a condition to such financing, Tenant shall not unreasonably withhold, delay or defer its consent thereto, provided such modifications do not materially adversely affect Tenant's rights hereunder or the use, occupancy or quiet enjoyment of Tenant hereunder or increase Tenant's obligations or decrease Tenant's rights hereunder.

36. WARRANTIES OF TENANT

Tenant hereby warrants and represents to Landlord, for the express benefit of Landlord, that Tenant has undertaken an independent evaluation of the risks inherent in the execution of this Lease and the operation of the Premises for the use permitted hereby, and that, based upon said independent evaluation, Tenant has elected to enter into this Lease and except as expressly set forth herein hereby assumes all risks with respect thereto. Tenant hereby further warrants and represents to Landlord, for the express benefit of Landlord, that in entering into this Lease, Tenant has not relied upon any statement, fact, promise or representation (whether express or implied, written or oral) not specifically set forth herein in writing and that any statement, fact, promise or representation (whether express or implied, written or oral) made at any time to Tenant, which is not expressly incorporated herein in writing, is hereby waived by Tenant.

37. COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT

Landlord and Tenant hereby agree and acknowledge that the Premises, the Building and/or the Park may be subject to the requirements of the Americans with Disabilities Act, a federal law codified at 42 U.S.C. 12101 et seq, including, but not limited to Title III thereof, all regulations and guidelines related thereto, together with any and all laws, rules, regulations, ordinances, codes and statutes now or hereafter enacted by local or state agencies having jurisdiction thereof, including all requirements of Title 24 of the State of California, as the same may be in effect on the date of this Lease and may be hereafter modified, amended or supplemented (collectively, the "ADA"). Any Tenant Improvements to be constructed hereunder shall be in compliance with the requirements of the ADA, and all costs incurred for purposes of compliance therewith shall be a part of and included in the costs of the Tenant Improvements. Tenant shall be solely responsible for conducting its own independent investigation of this matter with respect to the condition of the Building, Tenant's use of the Premises and for all improvements to be made to the Premises after the actual Commencement Date other than the Tenant Improvements; provided, however, with respect to the Tenant Improvements Landlord shall be solely responsible for ensuring that the design of all Tenant Improvements strictly comply with all requirements of the ADA. Subject to reimbursement pursuant to Section 6 of the Lease, if any barrier removal work or other work is required to the Building, the Common Areas or the Park under the ADA, then such work shall be the responsibility of Landlord; provided, if such work is required under the ADA as a result of Tenant's particular use of the Premises or any work or alteration made to the Premises by or on behalf of Tenant (other than any initial improvements), then such work shall be performed by Landlord at the sole cost and expense of Tenant. Except as otherwise expressly provided in this provision, Tenant shall be responsible at its sole cost and expense for fully and faithfully complying with all applicable requirements of the ADA, including without limitation, not discriminating against any disabled persons in the operation of Tenant's business in or about the Premises, and offering or otherwise providing auxiliary aids and services as, and when, required by the ADA. Within ten (10) days after receipt, Landlord and Tenant shall advise the other party in writing, and provide the other with copies of (as applicable), any notices alleging violation of the ADA relating to any portion of the Premises or the Building; any claims made or threatened in writing regarding noncompliance with the ADA and relating to any portion of the Premises or the Building; or any governmental or regulatory actions or investigations instituted or threatened regarding noncompliance with the ADA and relating to any portion of the Premises or the Building. Tenant shall and hereby agrees to protect, defend (with counsel acceptable, to Landlord) and hold Landlord and the other Indemnitees harmless and indemnify the Indemnitees from and against all liabilities, damages, claims, losses, penalties, judgments, charges and expenses (including reasonable attorneys' fees, costs of court and expenses necessary in the prosecution or defense of any litigation including the enforcement of this provision) arising from or in any way related to, directly or indirectly, Tenant's or Tenant's Representatives violation or alleged violation of the

ADA. Tenant agrees that the obligations of Tenant herein shall survive the expiration or earlier termination of this Lease.

38. BROKERAGE COMMISSION

Landlord and Tenant each represents and warrants for the benefit of the other that it has had no dealings with any real estate broker, agent or finder in connection with the Premises and/or the negotiation of this Lease, except for the Broker(s) (as set forth on Page 1), and that it knows of no other real estate broker, agent or finder who is or might be entitled to a real estate brokerage commission or finder's fee in connection with this Lease or otherwise based upon contacts between the claimant and Tenant. Each party shall indemnify and hold harmless the other from and against any and all liabilities or expenses arising out of claims made for a fee or commission by any real estate broker, agent or finder in connection with the Premises and this Lease other than Broker(s), if any, resulting from the actions of the indemnifying party. Any real estate brokerage commission or finder's fee payable to the Broker(s) in connection with this Lease shall only be payable and applicable to the extent of the initial Term of the Lease and to the extent of the Premises as same exist as of the date on which Tenant executes this Lease. Unless expressly agreed to in writing by Landlord and Broker(s), no real estate brokerage commission or finder's fee shall be owed to, or otherwise payable to, the Broker(s) for any renewals or other extensions of the initial Term of this Lease or for any additional space leased by Tenant other than the Premises as same exists as of the date on which Tenant executes this Lease. Tenant further represents and warrants to Landlord that Tenant will not receive (i) any portion of any brokerage commission or finder's fee payable to the Broker(s) in connection with this Lease or (ii) any other form of compensation or incentive from the Broker(s) with respect to this Lease.

39. QUIET ENJOYMENT

Landlord covenants with Tenant, upon the paying of Rent and observing and keeping the covenants, agreements and conditions of this Lease on its part to be kept, and during the periods that Tenant is not otherwise in default of any of the terms or provisions of this Lease, and subject to the rights of any of Landlord's lenders, (i) that Tenant shall and may peaceably and quietly hold, occupy and enjoy the Premises and the Common Areas during the Term of this Lease, and (ii) neither Landlord, nor any successor or assign of Landlord, shall disturb Tenant's occupancy or enjoyment of the Premises and the Common Areas.

40. LANDLORD'S ABILITY TO PERFORM TENANT'S UNPERFORMED OBLIGATIONS

Notwithstanding anything to the contrary contained in this Lease, if Tenant shall fail to perform any of the terms, provisions, covenants or conditions to be performed or complied with by Tenant pursuant to this Lease within the applicable cure periods, and/or if the failure of Tenant relates to a matter which in Landlord's judgment reasonably exercised is of an emergency nature and such failure shall remain uncured for a period of time commensurate with such emergency, then Landlord may, at Landlord's option without any obligation to do so, and in its sole discretion as to the necessity therefor, perform any such term, provision, covenant, or condition, or make any such payment and Landlord by reason of so doing shall not be liable or responsible for any loss or damage thereby sustained by Tenant or anyone holding under or through Tenant. If Landlord so performs any of Tenant's obligations hereunder, the full amount of the cost and expense entailed or the payment so made or the amount of the loss so sustained shall immediately be owing by Tenant to Landlord, and Tenant shall promptly pay to Landlord upon demand, as Additional Rent, the full amount thereof with interest thereon from the date of payment at the greater of (i) ten percent (10%) per annum, or (ii) the highest rate permitted by applicable law and Enforcement Expenses.

41. TENANT'S EARLY TERMINATION OPTION:

41.1 Termination Date: Tenant shall have a one-time option (the "Termination Option") to terminate this Lease, effective as of the 37/th/ month of the Lease Term (the "Termination Date"). The Termination Option is granted subject to the following terms and conditions:

41.1.1 Notice: Tenant delivers to Landlord written notice of Tenant's election to exercise the Termination Option, which notice is given no later than nine (9) full calendar months prior to the Termination Date; and

41.1.2 No Default: Tenant is not then in default under this Lease beyond any applicable cure periods either on the date that Tenant exercises the Termination Option, or unless waived in writing by Landlord, on the Termination Date; and

41.1.3 Termination Fee: Tenant pays to Landlord on the 30th month of the Lease Term, a cash lease termination fee (the "Fee") equal to two hundred six thousand eight hundred ninety-five and 00/100 dollars ($206,895.00).

Option, (i) all rent payable under this Lease shall be paid through and apportioned as of the Termination Date (in addition to payment by Tenant of the Fee); (ii) neither party shall have any rights, estates, liabilities, or obligations under this Lease for the period accruing after the Termination Date, except those which by the provisions of this Lease, expressly survive the expiration or termination of the Term of this Lease; (iii) Tenant shall surrender and vacate the Premises and deliver possession thereof to Landlord on or before the Termination Date in the condition required under this Lease for surrender of the Premises; and (iv) Landlord and Tenant shall enter into a written agreement reflecting the termination of this Lease upon the terms provided for herein, which agreement shall be executed within thirty (30) days after Tenant exercises the Termination Option and delivers to Landlord the written notice required above. It is the parties' intention that nothing contained herein shall impair, diminish or otherwise prevent Landlord from recovering from Tenant such additional sums as may be necessary for payment of Tenant's Share of the Operating Expenses, Tax Expenses, Common Area Utility Costs, Utility Expenses, Administrative Charges and any other sums due and payable under this Lease allocated to any period prior to the Termination Date, including, any sums required to repair any damage to the Premises and/or restore the Premises to the condition required under the provisions of this Lease.

41.3 Termination: The Termination Option shall automatically terminate and become null and void upon the earlier to occur of (i) the breach or default by Tenant of any of the terms of this Lease beyond any applicable cure periods either on the date that tenant exercises the Termination Option, or unless waived in writing by Landlord, on the Termination Date; (ii) Landlord or Tenant's the termination of Tenant's right to possession of the Premises under the provisions of this Lease; or (iii) the failure of Tenant to timely or properly exercise the Termination option as contemplated herein. This Termination Option is personal to Tenant and may not be assigned voluntarily, separate from or as part of the Lease, except to a Related Entity.

IN WITNESS WHEREOF, this Lease is executed by duly authorized signatories of the parties as of the Lease Date referenced on Page 1 of this Lease.

TENANT:

NetFlix.Com,
a Delaware corporation

By: _____

Its: CFO & Secretary

Date: 10/8/99

By: _____

Its: Secretary

Date: _____

LANDLORD:

LINCOLN-RECP OLD OAKLAND OPCO, LLC,
a Delaware limited liability company

By: LEGACY PARTNERS COMMERCIAL, INC.
as manager and agent for Lincoln-RECP Old Oakland OPCO, LLC

By:

Senior Vice President

Date:

If Tenant is a CORPORATION, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The Lease must be executed by the president or vice-president and the secretary or assistant

secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease.

EXHIBIT A
PREMISES

This exhibit, entitled "Premises", is and shall constitute EXHIBIT A to that certain Lease Agreement dated August 11, 1999 (the "Lease"), by and between LINCOLN-RECP OLD OAKLAND OPCO, LLC, a Delaware limited liability company ("Landlord") and NetFlix.com, a Delaware corporation ("Tenant") for the leasing of certain premises located at 2219 Old Oakland Road, San Jose, California (the "Premises").

The Premises consist of the rentable square footage of space specified in the Basic Lease Information and has the address specified in the Basic Lease Information. The Premises are a part of and are contained in the Building specified in the Basic Lease Information. The non cross-hatched area depicts the Premises within the [Building, Project]:

EXHIBIT B TO LEASE AGREEMENT
TENANT IMPROVEMENTS

This exhibit, entitled "Tenant Improvements", is and shall constitute EXHIBIT B to that certain Lease Agreement dated August 11, 1999 (the "Lease"), by and between LINCOLN-RECP OLD OAKLAND OPCO, LLC, a Delaware limited liability company ("Landlord") and NetFlix.com, a Delaware corporation ("Tenant") for the leasing of certain premises located at 2219 Old Oakland Road, San Jose, California (the "Premises"). The terms, conditions and provisions of this EXHIBIT B are hereby incorporated into and are made a part of the Lease. Any capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to such terms as set forth in the Lease:

1. Tenant Improvements. Subject to the conditions set forth below, Landlord agrees to construct and install at its sole cost and expense certain improvements ("Tenant Improvements") in the Building of which the Premises are a part in accordance with Section 2 below and pursuant to the terms of this

EXHIBIT B.

2. Definition. "Tenant Improvements" as used in this Lease shall include only those portions of the Building which are described below. "Tenant Improvements" shall specifically not include any alterations, additions or improvements installed or constructed by Tenant, and any of Tenant's trade fixtures, equipment, furniture, furnishings, telephone equipment or other personal property (collectively, "Personal Property"). The Tenant Improvements shall include only those improvements as specified in this Section 2 below and made a part hereof. Such work, as set forth below and as shown in the Initial Plans shall be hereinafter referred to as the "Work". Landlord shall not be obligated to pay for any improvements which are not expressly set forth herein below. The Tenant Improvements shall consist of the following Work as described more fully on Exhibit B-2 hereto:

(a) Install full floor to roof joist demising wall and separately metered PG&E.
(b) Remove wall partitions in former restroom area and install 12' of upper and 12' of lower cabinets, kitchenette sink and outlets for microwave and refrigerator.
(c) Install exterior lighting in shipping and receiving area which will be operational on a 24-hour, 7 days per week basis.

3. Tenant Improvement Costs. The "Tenant Improvements" cost (Tenant Improvement Costs") shall mean and include any and all costs and expenses of the Work, including, without limitation, all of the following:

(a) All costs of preliminary space planning and final architectural and engineering plans and specifications (including, without limitation, the scope of work, all plans and specifications, the Initial Plans and the Final Drawings) for the Tenant Improvements, and architectural fees, engineering costs and fees, and other costs associated with completion of said plans;

(b) All costs of obtaining building permits and other necessary authorizations and approvals from the City of San Jose and other applicable jurisdictions;

(c) All costs of interior design and finish schedule plans and specifications including as-built drawings;

(d) All direct and indirect costs or procuring, constructing and installing the Tenant Improvements in the Premises, including, but not limited to, the construction fee for overhead and profit, the cost of all on-site supervisory and administrative staff, office, equipment and temporary services rendered by Landlord's consultants and the General Contractor in connection with construction of the Tenant Improvements, and all labor (including overtime) and materials constituting the Work;

(e) All fees payable to the General Contractor, architect and Landlord's engineering firm if they are required by Tenant to redesign any portion of the Tenant Improvements following Tenant's approval of the Final Drawings; and

(f) A construction management fee payable to Landlord in the amount of five percent (5%) of all direct and indirect costs of procuring, constructing and installing the Tenant Improvements in the Premises and the Building.

4. Building Standard Work. Landlord shall provide that the Tenant Improvements be at least equal, in quality, to Landlord's building standard materials, quantities and procedures then in use by Landlord ("Building Standards") attached hereto as Exhibit B-I, and shall consist of improvements which are generic in nature. Landlord shall obtain all government approvals of the Work to the full extent necessary for the issuance of a building permit for the Tenant Improvements. Such Tenant Improvements shall be constructed in a good and workmanlike manner, free of defects and using new

materials and equipment of good quality. Tenant shall have the right to submit a written "punch list" to Landlord, setting forth any defective item of construction, and Landlord shall promptly cause such items to be corrected. Tenant's acceptance of the Premises or submission of a "punch list" shall not be deemed a waiver of Tenant's right to have defects in the Tenant Improvements or the Premises repaired at no cost to Tenant. Tenant shall give notice to Landlord, within the first year of the Lease Term, whenever any such defect becomes reasonably apparent, and Landlord shall repair such defect as soon as practicable.

5. Landlord shall not be obligated to pay for any Tenant Improvements which are not specifically set forth in Section 2 above or in Exhibit B-1.

6. Lease Provisions; Conflict. The terms and provisions of the Lease, insofar as they are applicable, in whole or in part, to this EXHIBIT B, are hereby incorporated herein by reference, and specifically including all of the provisions of Section 31 of the Lease. In the event of any conflict between the terms of the Lease and this EXHIBIT B, the terms of this EXHIBIT B shall prevail.

EXHIBIT B-1
BUILDING STANDARDS

OUTLINE SPECIFICATION FOR
NEW OFFICE BUILD-OUT IN R&D BUILDINGS

OFFICE AREA

DEMISING PARTITION AND CORRIDOR WALLS:

Note: One hr. rated walls where required based on occupancy group.

A. 6" 20-gage metal studs at 24" O.C. (or as required by code based on roof height) framed full height from finish floor to surface above.

B. One (1) layer 5/8" drywall Type "X" both sides of wall, fire taped only.

INTERIOR PARTITIONS:

A. 3-5/8" 25-gage metal studs at 24" O.C. to bottom of T-Bar ceiling grid approximately 9' 0" high.

B. One (1) layer 5/8" drywall both sides of wall, smooth ready for paint.

C. 3-5/8" metal studs including all lateral bracing as required by code.

PERIMETER DRYWALL (AT OFFICE AREAS):

A. 3-5/8" metal studs @ 24" O.C. to 12' 0" above finished floor. (or as required by Title-24 for full height envelope then use demising wall spec.)

B. One (1) layer 5/8" Type "X" drywall taped smooth and ready for paint.

COLUMN FURRING:

A. Furring channel all sides of 2-1/2" metal studs per details.

B. One (1) layer 5/8" drywall taped smooth and ready for paint.

C. Columns within walls shall be furred-out.

ACOUSTICAL CEILINGS:

Note Gyp. Bd. ceiling at all restrooms Typ.

A. 2' x 4' standard white T-Bar grid system as manufactured by Chicago Metallic of equal.

B. 2' x 4' x 5/8" white, no-directional acoustical tile to be regular second look as manufactured by Armstrong or equal.

PAINTING:

A. Sheetrock walls within office to receive two (2) coats of interior latex paint as manufactured by Kelly Moore or equal. Some portions of second coat to be single accent color.

B. Semi-gloss paint all restrooms and lunch rooms.

WINDOW COVERING:

A. 1" aluminum mini-blinds as manufactured by Levelor, Bali or equal, color to be selected by Legacy Partners Commercial, Inc. (brushed aluminum or white).

B. Blinds to be sized to fit window module.

VCT:

A. VCT to be l/8" x 12" x 12" as manufactured by Armstrong - Excelon Series or equal.

B. Slabs shall be water proofed per manufacturer recommendations, at sheet vinyl or VCT areas.

LIGHT FIXTURES:

A. 2" x 4" T-bar lay in 3-tube energy efficient fixture with cool white fluorescent tubes with parabolic lens as manufactured by Lithonia or equal.
(Approximately 50 F.C,)

LIGHT SWITCHES:

A. Switching as required by Title 24.

B. Switch assembly to be Levinton or equal, color - White

ELECTRICAL OUTLET:

A. 110V duplex outlet in demising or interior partitions only, as manufactured by Leviton or equal, color to be White.

B. Maximum eight (8) outlets per circuit, spacing to meet code or minimum 2 per office, conference room, reception and 2 dedicated over cabinet at lunch room junction boxes above ceiling for large open area with furniture partitions.

C. Transformers to be a minimum of 20% or over required capacity.

D. Contractors to inspect electric room and to include all necessary metering cost.

E. No aluminum wiring is acceptable.

TELEPHONE/DATA OUTLET:

A. One (1) single outlet box in wall with pullwire from outlet box to area above T-bar ceiling per office.

B. Cover plate for phone outlets by telephone/data vendors.

FIRE SPRINKLERS:

As required by fire codes.

TOPSET BASE:

A. 4" rubber base as manufactured by Burke or equal, standard colors only.

B. 4" rubber base at VCT areas.

TOILET AREAS:

Wet walls to receive Durabond or Wonder Board and ceramic tile up to 48". Floors to receive ceramic tile with self coved base as required by code.

CARPET:

Note any of the following carpets are acceptable

Designweave: Alumni 28 oz., Windswept Classic 30 oz. or Stratton Design Series III 30 oz, Structure II 28 oz.

WOOD DOORS:

Shall be 3' 0" x 9' 0" x 1-3/4" (unless otherwise specified) solid core, prefinished harmony (rotary N. birch).

DOOR FRAMES:

Shall be ACI or equal, 3-3/4" or 4-7/8" throat, brushed, standard aluminum, snap-on trim.

HARDWARE:

1-1/2 pr. butts F179 Stanley, Latchset D10S Rhodes Schlage, Lockset D53PD Rhodes Schlage, Dome Type floor stop Gylnn Johnson FB 13, Closer 4110LCN (where required) brushed chrome.

INSULATION:

By Title 24 insulation.

PLUMBING:

A. Shall comply with all local codes and handicapped code requirements. Fixtures shall be either "American Standard", "Kohler" or "Norris". All toilet accessories and grab bars shall be "Bobrick" or equal and approved by owner.

B. Plumbing bid shall include 5 gallon minimum hot water heater, or insta hot with mixer valve including all connections.

TOILET PARTITIONS:

Shall be as manufactured by Fiat, global or equal if approved by owner. Color to be white or gray.

HVAC:

HVAC units per specifications.

Five (5) year warranty provided on all HVAC compressor units. All penetrations including curbs and sleepers to be hot moped to Legacy Partners Commercial, Inc. standard.

WAREHOUSE AREAS:

Floor - seal concrete with water base clear acrylic sealer. Fire extinguishers - 2A 10 BC surface mount by code x by S.F.

400 W metal halide lighting at warehouse minimum 5-7 foot candles.

Note. All high pile storage requirements are excluded for standard building. T.I.

EXHIBIT B-2
TENANT IMPROVEMENTS

The floor plan below shows the Work to be provided by Landlord pursuant to Section 2 of this Exhibit B of the Lease.

EXHIBIT C TO LEASE AGREEMENT
RULES & REGULATIONS

This exhibit, entitled "Rules & Regulations", is and shall constitute EXHIBIT C to that certain Lease Agreement dated August 11, 1999 (the "Lease"), by and between LINCOLN-RECP OLD OAKLAND OPCO, LLC, a Delaware limited liability company ("Landlord") and NetFlix.com, a Delaware corporation ("Tenant") for the leasing of certain premises located at 2219 Old Oakland Road, San Jose, California (the "Premises"). The terms, conditions and provisions of this EXHIBIT C are hereby incorporated into and are made a part of the Lease. Any capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to such terms as set forth in the Lease:

1. No advertisement, picture or sign of any sort shall be displayed on or outside the Premises or the Building without the prior written consent of Landlord. Landlord shall have the right to remove any such unapproved item without notice and at Tenant's expense.

2. Tenant shall not regularly park motor vehicles in designated parking areas after the conclusion of normal daily business activity.

3. Tenant shall not use any method of heating or air conditioning other than that supplied by Landlord without the prior written consent of Landlord.

4. All window coverings installed by Tenant and visible from the outside of the Building require the prior written approval of Landlord.

5. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance or any flammable or combustible materials on or around the Premises, the Building or the Park.

6. Tenant shall not alter any lock or install any new locks or bolts on any door at the Premises without the prior consent of Landlord.

7. Tenant agrees not to make any duplicate keys without the prior consent of Landlord.

8. Tenant shall park motor vehicles in those general parking areas as designated by Landlord except for loading and unloading. During those periods of loading and unloading, Tenant shall not unreasonably interfere with traffic flow within the Park and loading and unloading areas of other Tenants.

9. Tenant shall not disturb, solicit or canvas any occupant of the Building or Park and shall cooperate to prevent same.

10. No person shall go on the roof without Landlord's permission.

11. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building, to such a degree as to be objectionable to Landlord or other Tenants, shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration.

12. All goods, including material used to store goods, delivered to the Premises of Tenant shall be immediately moved into the Premises and shall not be left in parking or receiving areas overnight.

13. Tractor trailers which must be unhooked or parked with dolly wheels beyond the concrete loading areas must use steel plates or wood blocks under the dolly wheels to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers will be permitted in the auto parking areas of the Park or on streets adjacent thereto.

14. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall only use tires that do not damage the asphalt.

15. Tenant is responsible for the storage and removal of all trash and refuse. All such trash and refuse shall be contained in suitable receptacles stored behind screened enclosures at locations approved by Landlord.

16. Tenant shall not store or permit the storage or placement of goods, or merchandise or pallets or equipment of any sort in or around the Premises, the Building, the Park or any of the Common Areas of the foregoing. No displays or sales of merchandise shall be allowed in the parking lots or other Common Areas.

17. Tenant shall not permit any animals, including, but not limited to, any household pets, to be brought or kept in or about the Premises, the building, the Park or any of the Common Areas of the foregoing.

18. Tenant shall not permit any motor vehicles to be washed on any portion of the Premises or in the Common Areas of the Park, nor shall Tenant permit mechanical work or maintenance of motor vehicles to be performed on any portion of the Premises or in the Common Areas of the Park.

EXHIBIT E
HAZARDOUS MATERIALS DISCLOSURE CERTIFICATE

Your cooperation in this matter is appreciated. Initially, the information provided by you in this Hazardous Materials Disclosure Certificate is necessary for the Landlord (identified below) to evaluate and finalize a lease agreement with you as Tenant. After a lease agreement is signed by you and the Landlord (the "Lease Agreement"), on an annual basis in accordance with the provisions of Section 29 of the signed Lease Agreement, you are to provide an update to the information initially provided by you in this certificate. The information contained in the initial Hazardous Materials Disclosure Certificate and each annual certificate provided by you thereafter will be maintained in confidentiality by Landlord subject to release and disclosure as required by (i) any lenders and owners and their respective environmental consultants, (ii) any prospective purchaser(s) of all or any portion of the property on which the Premises are located, (iii) Landlord to defend itself or its lenders, partners or representatives against any claim or demand, and (iv) any laws, rules, regulations, orders, decrees, or ordinances, including, without limitation, court orders or subpoenas. Any and all capitalized terms used herein, which are not otherwise defined herein, shall have the same meaning ascribed to such term in the signed Lease Agreement. Any questions regarding this certificate should be directed to, and when completed, the certificate should be delivered to:

Landlord:

c/o Legacy Partners Commercial, Inc. 101 Lincoln Centre Drive, Fourth Floor Foster City, California 94404
Attn:

Phone: (650) 571-2200

Name of (Prospective) Tenant:
Mailing Address:
Contact Person, Title and Telephone Number(s): Contact Person for Hazardous Waste Materials Management and Manifests and Telephone Number(s):

Address of (Prospective) Premises:
Length of (Prospective) Initial Term:

1. General Information:

Describe the initial proposed operations to take place in, on, or about the Premises, including, without limitation, principal products processed, manufactured or assembled services and activities to be provided or otherwise conducted. Existing Tenants should describe any proposed changes to on-going operations.

2. Use, Storage and Disposal of Hazardous Materials

2.1 Will any Hazardous Materials be used, generated, stored or disposed of in, on or about the Premises? Existing Tenants should describe any Hazardous Materials which continue to be used, generated, stored or disposed of in, on or about the Premises.

Wastes	Yes [ ]	No [ ]
Chemical Products	Yes [ ]	No [ ]
Other	Yes [ ]	No [ ]

If Yes is marked, please explain:

2.2 If Yes is markedinSection 2.1, attach a list of any Hazardous Materials to be used, generated, stored or disposed of in, on or about the Premises, including the applicable hazard class and an estimate of the quantities o[such Hazardous Materials at any given time; estimated annual throughput; the proposed location(s) and method of storage (excluding nominal amounts of ordinary household cleaners and janitorial Supplies which are not regulated by any Environmental Laws); and the proposed location(s) and method of disposal for each Hazardous Material, including, the estimated frequency, and the proposed contractors or subcontractors. Existing Tenants should attach a list setting forth the information requested above and such list should include actual data from on-going operations and the identification of any variations in such in information from the prior year's certificate.

3. Storage Tanks and Sumps

3.1 Is any above or below ground storage of gasoline, diesel, petroleum, or other Hazardous Materials in tanks or sumps proposed in, on or about the Premises? Existing Tenants should describe any such actual or proposed activities.

Yes [ ] No [ ]

If Yes, please explain:

4. Waste Management

4.1 Has your company been issued an EPA Hazardous Waste Generator I.D. Number? Existing Tenants should describe any additional identification numbers issued since the previous certificate.

Yes [ ] No [ ]

4.2 Has your company filed a biennial or quarterly reports as a hazardous waste generator? Existing Tenants should describe any new reports filed.

Yes [ ] No [ ]

If yes, attach a copy of the most recent report filed.

5. Wastewater Treatment and Discharge

5.1 Will your company discharge wastewater or other wastes to:

	storm drain?		sewer?
-----		-----	
	surface water?		no wastewater or other wastes discharged.
-----		-----	

Existing Tenants should indicate any actual discharges. If so, describe the nature of any proposed or actual discharge(s).

5.2 Will any such wastewater or waste be treated before discharge?

Yes[ ] No[ ]

If yes, describe the type of treatment proposed to be conducted. Existing Tenants should describe the actual treatment conducted.

6. Air Discharges

6.1 Do you plan for any air filtration systems or stacks to be used in your company's operations in, on or about the Premises that will discharge into the air; and will such air emissions be monitored? Existing Tenants should indicate whether or not there are any such air filtration systems or stacks in use in, on or about the Premises which discharge into the air and whether such air emissions are being monitored.

Yes [ ] No [ ]

If yes, please describe:

6.2 Do you propose to operate any of the following types of equipment, or any other equipment requiring an air emissions permit? Existing Tenants should specify any such equipment being operated in, on or about the Premises.

----- Spray booth(s)	----- Incinerator(s)
----- Dip tank(s)	----- Other (Please describe)
----- Drying oven(s)	----- No Equipment Requiring Air Permits

If yes, please describe:

7. Hazardous Materials Disclosures

7.1 Has your company prepared or will it be required to prepare a Hazardous Materials management plan ("Management Plan") pursuant to Fire Department or other governmental or regulatory agencies' requirements? Existing Tenants should indicate whether or not a Management Plan is required and has been prepared.

Yes [ ] No [ ]

If yes, attach a copy of the Management Plan. Existing Tenants should attach a copy of any required updates to the Management Plan.

7.2 Are any of the Hazardous Materials, and in particular chemicals, proposed to be used in your operations in, on or about the Premises regulated under Proposition 65? Existing Tenants should indicate whether or not there are any new Hazardous Materials being so used which are regulated under Proposition 65.

Yes [ ] No [ ]

If yes, please explain:

8. Enforcement Actions and Complaints

8.1 With respect to Hazardous Materials or Environmental Laws, has your company ever been subject to any agency enforcement actions, administrative orders, or consent decrees or has your company received requests for information, notice or demand letters, or any other inquiries regarding its operations? Existing Tenants should indicate whether or not any such actions, orders or decrees have been, or are in the process of being, undertaken or if any such requests have been received.

Yes [ ] No [ ]

If yes, describe the actions, orders or decrees and any continuing compliance obligations imposed as a result of these actions, orders or decrees and also describe any requests, notices or demands, and attach a copy of all such documents. Existing Tenants should describe and attach a copy of any new actions, orders, decrees, requests, notices or demands not already delivered to Landlord pursuant to the provisions of Section 29 of the signed Lease Agreement.

8.2 Have there ever been, or are there now pending, any lawsuits against your company regarding any environmental or health and safety concerns?

Yes [ ] No [ ]

If yes, describe any such lawsuits and attach copies of the complaint(s), cross-complaint(s), pleadings and all other documents related thereto as requested by Landlord. Existing Tenants should describe and attach a copy of any new complaint(s), cross-complaint(s), pleadings and other related documents not already delivered to Landlord pursuant to the provisions of
Section 29 of the signed Lease Agreement.

8.3 Have there been any problems or complaints from adjacent Tenants, owners or other neighbors at your company's current facility with regard to environmental or health and safety concerns? Existing Tenants should indicate whether or not there have been any such problems or complaints from adjacent Tenants, owners or other neighbors at, about or near the Premises.

Yes [ ] No [ ]

If yes, please describe. Existing Tenants should describe any such problems or complaints not already disclosed to Landlord under the provisions of the signed Lease Agreement.

9. Permits and Licenses

9.1 Attach copies of all Hazardous Materials permits and licenses including a Transporter Permit number issued to your company with respect to its proposed operations in, on or about the Premises, including, without limitation, any wastewater discharge permits, air emissions permits, and use permits or approvals. Existing Tenants should attach copies of any new permits and licenses as well as any renewals of permits or licenses previously issued.

The undersigned hereby acknowledges and agrees that (A) this Hazardous Materials Disclosure Certificate is being delivered in connection with, and as required by, Landlord in connection with the evaluation and finalization of a Lease Agreement and will be attached thereto as an exhibit; (B) that this Hazardous Materials Disclosure Certificate is being delivered in accordance with, and as required by, the provisions of Section 29 of the Lease Agreement; and (C) that Tenant shall have and retain full and complete responsibility and liability with respect to any of the Hazardous Materials disclosed in the HazMat Certificate notwithstanding Landlord's/Tenant's receipt and/or approval of such certificate. Tenant further agrees that none of the following described acts or events shall be construed or otherwise interpreted as either (a) excusing, diminishing or otherwise limiting Tenant from the requirement to fully and faithfully perform its obligations under the Lease with respect to Hazardous Materials, including, without limitation, Tenant's indemnification of the Indemnitees and compliance with all Environmental Laws, or (b) imposing upon Landlord, directly or indirectly, any duty or liability with respect to any such Hazardous Materials, including, without limitation, any duty on Landlord to investigate or otherwise verify the accuracy of the representations and statements made therein or to ensure that Tenant is in compliance with all Environmental Laws; (i) the delivery of such certificate to Landlord and/or Landlord's acceptance of such certificate, (ii) Landlord's review and approval of such certificate, (iii) Landlord's failure to obtain such certificate from Tenant at any time, or (iv) Landlord's actual or constructive knowledge of the types and quantities of Hazardous Materials being used, stored, generated, disposed of or transported on or about the Premises by Tenant or Tenant's Representatives. Notwithstanding the foregoing or anything to the contrary contained herein, the undersigned acknowledges and agrees that Landlord and its partners, lenders and representatives may, and will, rely upon the statements, representations, warranties, and certifications made herein and the truthfulness thereof in entering into the Lease Agreement and the continuance thereof throughout the term, and any renewals thereof, of the Lease Agreement.

I (print name) , acting with full authority to bind the (proposed) Tenant and on behalf of the (proposed) Tenant, certify, represent and warrant that the information contained in this certificate is true and correct.

(Prospective) Tenant:

By:
Title:
Date:

EXHIBIT F
FIRST AMENDMENT TO LEASE AGREEMENT
CHANGE OF COMMENCEMENT DATE

This First Amendment to Lease Agreement (the "Amendment") is made and entered into to be effective as of _____, by and between _____ ("Landlord"), and _____ ("Tenant"), with reference to the following facts:

RECITALS

A. Landlord and Tenant have entered into that certain Lease Agreement dated _____ (the "Lease"), for the leasing of certain premises containing approximately _____ rentable square feet of space located at _____, California (the "Premises") as such Premises are more fully described in the Lease.

B. Landlord and Tenant wish to amend the Commencement Date of the Lease.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Recitals: Landlord and Tenant agree that the above recitals are true and correct.

2. The Commencement Date of the Lease shall be _____.

3. The last day of the Term of the Lease (the "Expiration Date") shall be _____.

4. The dates on which the Base Rent will be adjusted are:

for the period _____ to _____ the monthly Base Rent shall be $ _____;
for the period _____ to _____ the monthly Base Rent shall be $ _____; and
for the period _____ to _____ the monthly Base Rent shall be $ _____.

5. Effect of Amendment: Except as modified herein, the terms and conditions of the Lease shall remain unmodified and continue in full force and effect. In the event of any conflict between the terms and conditions of the Lease and this Amendment, the terms and conditions of this Amendment shall prevail.

6. Definitions: Unless otherwise defined in this Amendment, all terms not defined in this. Amendment shall have the meaning set forth in the Lease.

7. Authority: Subject to the provisions of the Lease, this Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns. Each party hereto and the persons signing below warrant that the person signing below on such party's behalf is authorized to do so and to bind such party to the terms of this Amendment.

8. The terms and provisions of the Lease are hereby incorporated in this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

[PROPERTY MANAGER: Please provide Tenant information and Word Processing will complete the signature block]

EXHIBIT G
TENANT's INITIAL HAZARDOUS MATERIALS DISCLOSURE CERTIFICATE

Your cooperation in this matter is appreciated. Initially, the information provided by you in this Hazardous Materials Disclosure Certificate is necessary for the Landlord (identified below) to evaluate and finalize a lease agreement with you as Tenant. After a lease agreement is signed by you and the Landlord (the "Lease Agreement"), on an annual basis in accordance with the provisions of Section 29 of the signed Lease Agreement, you are to provide an update to the information initially provided by you in this certificate. The information contained in the initial Hazardous Materials Disclosure Certificate and each annual certificate provided by you thereafter will be maintained in confidentiality by Landlord subject to release and disclosure as required by (i) any lenders and owners and their respective environmental consultants, (ii) any prospective purchaser(s) of all or any portion of the property on which the Premises are located, (iii) Landlord to defend itself or its lenders, partners or representatives against any claim or demand, and (iv) any laws, rules, regulations, orders, decrees, or ordinances, including, without limitation, court orders or subpoenas. Any and all capitalized terms used herein, which are not otherwise defined herein, shall have the same meaning ascribed to such term in the signed Lease Agreement. Any questions regarding this certificate should be directed to, and when completed, the certificate should be delivered to:

Landlord:

c/o Legacy Partners Commercial, Inc. 101 Lincoln Centre Drive, Fourth Floor Foster City, California 94404
Attn:

Phone: (650) 571-2200

Name of (Prospective) Tenant:
Mailing Address:

Contact Person, Title and Telephone Number(s): Contact Person for Hazardous Waste Materials Management and Manifests and Telephone Number(s):

Address of (Prospective) Premises:
Length of (Prospective) Initial Term:

1. General Information:

Describe the initial proposed operations to take place in, on, or about the Premises, including, without limitation, principal products processed, manufactured or assembled services and activities to be provided or otherwise conducted. Existing Tenants should describe any proposed changes to on-going operations.

2. Use, Storage and Disposal of Hazardous Materials

2.1 Will any Hazardous Materials bc used, generated, stored or disposed of in, on or about the Premises? Existing Tenants should describe any Hazardous Materials which continue to be used, generated, stored or disposed of in, on or about the Premises.

Wastes	Yes [ ]	No [ ]
Chemical Products	Yes [ ]	No [ ]
Other	Yes [ ]	No [ ]

If Yes is marked, please explain:

2.2 If Yes is marked in Section 2.1. attach a list of any Hazardous Materials to be used, generated, stored or disposed of in, on or about the Premises, including the applicable hazard class and an estimate of the quantities of such Hazardous Materials at any given time; estimated annual throughput; the proposed location(s) and method of storage (excluding nominal amounts of ordinary household cleaners and janitorial supplies which are not regulated by any Environmental Laws); and the proposed location(s) and method of disposal for each Hazardous Material, including, the estimated frequency, and the proposed contractors or subcontractors. Existing Tenants should attach a list setting forth the information requested above and such list should include actual data from on-going operations and the identification of any variations in such information from the prior year's certificate.

3. Storage Tanks and Sumps

3.1 Is any above or below ground storage of gasoline, diesel, petroleum, or other Hazardous Materials in tanks or sumps proposed in, on or about the Premises? Existing Tenants should describe any such actual or proposed activities.

Yes [ ] No [ ]

If yes, please explain:

4. Waste Management

4.1 Has your company been issued an EPA Hazardous Waste Generator I.D. Number? Existing Tenants should describe any additional identification numbers issued since the previous certificate.

Yes [ ] No [ ]

4.2 Has your company filed a biennial or quarterly reports as a hazardous waste generator? Existing Tenants should describe any new reports filed.

Yes [ ] No [ ]

If yes, attach a copy of the most recent report filed.

5. Wastewater Treatment and Discharge

5.1 Will your company discharge wastewater or other wastes to:

```
     storm drain?         sewer?
----                  ----
     surface water?        no wastewater or other wastes discharged.
----                  ----
```

Existing Tenants should indicate any actual discharges. If so, describe the nature of any proposed or actual discharge(s).

5.2 Will any such wastewater or waste be treated before discharge?

Yes [ ] No [ ]

If yes, describe the type of treatment proposed to be conducted. Existing Tenants should describe the actual treatment conducted.

6. Air Discharges

6.1 Do you plan for any air filtration systems or stacks to be used in your company's operations in, on or about the Premises that will discharge into the air; and will such air emissions be monitored? Existing Tenants should indicate whether or not there are any such air filtration systems or stacks in use in, on or about the Premises which discharge into the air and whether such air emissions are being monitored.

Yes[ ] No[ ]

If yes, please describe:

6.2 Do you propose to operate any of the following types of equipment, or any other equipment requiring an air emissions permit? Existing Tenants should specify any such equipment being operated in, on or about the Premises.

____	Spray booth(s)	____	Incinerator(s)
____	Dip tank(s)	____	Other (Please describe)
____	Drying oven(s)	____	No Equipment Requiring Air Permits

If yes, please describe:

7. Hazardous Materials Disclosures

7.1 Has your company prepared or will it be required to prepare a Hazardous Materials management plan ("Management Plan") pursuant to Fire Department or other governmental or regulatory agencies' requirements? Existing Tenants should indicate whether or not a Management Plan is required and has been prepared.

Yes [ ] No [ ]

If yes, attach a copy of the Management Plan. Existing Tenants should attach a copy of any required updates to the Management Plan.

7.2 Are any of the Hazardous Materials, and in particular chemicals, proposed to be used in your operations in, on or about the Premises regulated under Proposition 65? Existing Tenants should indicate whether or not there are any new Hazardous Materials being so used which are regulated under Proposition 65.

Yes [ ] No [ ]

If yes, please explain:

8. Enforcement Actions and Complaints

8.1 With respect to Hazardous Materials or Environmental Laws, has your company ever been subject to any agency enforcement actions, administrative orders, or consent decrees or has your company received requests for information, notice or demand letters, or any other inquiries regarding its operations? Existing Tenants should indicate whether or not any such actions, orders or decrees have been, or are in the process of being, undertaken or if any such requests have been received.

Yes [ ] No [ ]

If yes, describe the actions, orders or decrees and any continuing compliance obligations imposed as a result of these actions, orders or decrees and also describe any requests, notices or demands, and attach a copy of all such documents. Existing Tenants should describe and attach a copy of any new actions, orders, decrees, requests, notices or demands not already delivered to Landlord pursuant to the provisions of Section 29 of the signed Lease Agreement.

8.2 Have there ever been, or are there now pending, any lawsuits against your company regarding any environmental or health and safety concerns?

Yes [ ] No [ ]

If yes, describe any such lawsuits and attach copies of the complaint(s), cross-complaint(s), pleadings and all other documents related thereto as requested by Landlord. Existing Tenants should describe and attach a copy of any new complaint(s), cross-complaint(s), pleadings and other related documents not already delivered to Landlord pursuant to the provisions of
Section 29 of the signed Lease Agreement.

8.3 Have there been any problems or complaints from adjacent Tenants, owners or other neighbors at your company's current facility with regard to environmental or health and safety concerns? Existing Tenants should indicate whether or not there have been any such problems or complaints from adjacent Tenants, owners or other neighbors at, about or near the Premises.

Yes [ ] No [ ]

If yes, please describe. Existing Tenants should describe any such problems or complaints not already disclosed to Landlord under the provisions of the signed Lease Agreement.

9. Permits and Licenses

9.1 Attach copies of all Hazardous Materials permits and licenses including a Transporter Permit number issued to your company with respect to its proposed operations in, on or about the Premises, including, without limitation, any wastewater discharge permits, air emissions permits, and use permits or approvals. Existing Tenants should attach copies of any new permits and licenses as well as any renewals of permits or licenses previously issued.

The undersigned hereby acknowledges and agrees that (A) this Hazardous Materials Disclosure Certificate is being delivered in connection with, and as required by, Landlord in connection with the evaluation and finalization of a Lease Agreement and will be attached thereto as an exhibit; (B) that this Hazardous Materials Disclosure Certificate is being delivered in accordance with, and as required by, the provisions of Section 29 of the Lease Agreement; and (C) that Tenant shall have and retain full and complete responsibility and liability with respect to any of the Hazardous Materials disclosed in the HazMat Certificate notwithstanding Landlord's/Tenant's receipt and/or approval of such certificate. Tenant further agrees that none of the following described acts or events shall be construed or otherwise interpreted as either (a) excusing, diminishing or otherwise limiting Tenant from the requirement to fully and faithfully perform its obligations under the Lease with respect to Hazardous Materials, including, without limitation, Tenant's indemnification of the Indemnitees and compliance with all Environmental Laws, or (b) imposing upon Landlord, directly or indirectly, any duty or liability with respect to any such Hazardous Materials, including, without limitation, any duty on Landlord to investigate or otherwise verify the accuracy of the representations and statements made therein or to ensure that Tenant is in compliance with all Environmental Laws; (i) the delivery of such certificate to Landlord and/or Landlord's acceptance of such certificate, (ii) Landlord's review and approval of such certificate, (iii) Landlord's failure to obtain such certificate from Tenant at any time, or (iv) Landlord's actual or constructive knowledge of the types and quantities of Hazardous Materials being used, stored, generated, disposed of or transported on or about the Premises by Tenant or Tenant's Representatives. Notwithstanding the foregoing or anything to the contrary contained herein, the undersigned acknowledges and agrees that Landlord and its partners, lenders and representatives may, and will, rely upon the statements, representations, warranties, and certifications made herein and the truthfulness thereof in entering into the Lease Agreement and the continuance thereof throughout the term, and any renewals thereof, of the Lease Agreement.

I (print name)_____, acting with full authority to bind the (proposed) Tenant and on behalf of the (proposed) Tenant, certify, represent and warrant that the information contained in this certificate is true and correct.

(Prospective) Tenant:

By:
Title:
Date:

EXHIBIT I

SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT

This Subordination, Non-Disturbance and Attornment Agreement (this "Agreement") is as of the ___ day of _____, 19___, between Credit Suisse First Boston Mortgage Capital LLC ("Lender") and _____("Tenant").

RECITALS

A. Tenant is the tenant under a certain lease (the "Lease"), dated as of _____, 19__, with_____ ("Landlord"), of premises described in the Lease (the "Premises") as more particularly described in Exhibit A hereto.

B. This Agreement is being entered into in connection with a certain loan (the "Loan") which Lender has made to Landlord, and secured in part by a Deed of Trust, assignment of leases and rents and security agreement on the Premises (the "Deed of Trust ") dated as of _____ _____,199__ and an assignment of leases and rents dated as of_____,199__ (the "Assignment"; the Deed of Trust, the Assignment and the other documents executed and delivered in connection with the Loan are hereinafter collectively referred to as the "Loan Documents").

AGREEMENT

For mutual consideration, including The mutual covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Tenant agrees that the Lease and all terms and conditions contained therein and all rights, options, liens and charges created thereby is and shall be subject and subordinate in all respects to the Loan Documents and to all present or future advances under the obligations secured thereby and all renewals, amendments, modifications, consolidations, replacements and extensions of secured obligations and the Loan Documents, to the full extent of all amounts secured by the Loan Documents from time to time.

2. Lender agrees that, if Lender exercises any of its rights under the Loan Documents such that it becomes the owner of the Premises, including but not limited to an entry by Lender pursuant to the Deed of Trust, a foreclosure of the Deed of Trust, a power of sale under the Deed of Trust or otherwise: (a) the Lease shall continue in full force and effect as a direct lease between Lender and Tenant, and subject to all the terms, covenants and conditions of the Lease, and (b) Lender shall not disturb Tenant's right of quiet possession of the Premises under the terms of the Lease so long as Tenant is not in default beyond any applicable grace period of any term, covenant or condition of the Lease.

3. Tenant agrees that, in the event of a exercise of the power of sale or foreclosure of The Deed of Trust by Lender or the acceptance of a deed in lieu of foreclosure by Lender or any other succession of Lender to ownership of the Premises, Tenant will attorn to and recognize Lender as its landlord under the Lease for the remainder of the term off the Lease (including all extension periods which have been or are hereafter exercised) upon the same terms and conditions as are set forth in the Lease, and Tenant hereby agrees to pay and perform all off the obligations of Tenant pursuant to the Lease.

4. Tenant agrees that, in the event Lender succeeds to the interest of Landlord under the Lease, Lender shall not be:

(a) liable in any way for any act, omission, neglect or default of any prior Landlord (including, without limitation, the then defaulting Landlord), or

(b) subject to any claim, defense, counterclaim or offsets which Tenant may have against any prior Landlord (including, without limitation, the then defaulting Landlord), or

(c) bound by any payment of rent or additional rent which Tenant might have paid for more than one month in advance of the due date under the Lease to any prior Landlord (including, without limitation, the then defaulting Landlord), or

(d) bound by any obligation to make any payment to Tenant which was required to be made prior to the time Lender succeeded to any prior Landlord's interest, or

(e) accountable for any monies deposited with any prior Landlord (including security deposits), except to the extent such monies are actually received by Lender, or

(f) bound by any amendment or modification of the Lease made without the written consent of Lender.

Nothing contained herein shall prevent Lender from naming Tenant in any foreclosure or other action or proceeding initiated in order for Lender to avail itself of and complete any such foreclosure or other remedy.

5. Tenant hereby agrees to give to Lender copies of all notices of Landlord default(s) under the Lease in the same manner as, and whenever, Tenant shall give any such notice of default to Landlord and no such notice of default shall be deemed given to Landlord unless and until a copy of such notice shall have been so delivered to Lender. Lender shall have the right but no obligation to remedy any landlord default under the Lease, or to cause any default of Landlord under the Lease to be remedied, and for such purpose Tenant hereby grants Lender, in addition the period given to Landlord for remedying defaults, an additional 30 days to remedy, or cause to be remedied, any such default. Tenant shall accept performance by Lender of any term, covenant, condition or agreement to be performed by Landlord under the Lease with the same force and effect as though performed by Landlord. No Landlord default under the Lease shall exist or shall be deemed to exist (i) as long as Lender, in good faith, shall have commenced to cure such default within the above reference time period and shall be prosecuting the same to completion with reasonable diligence, subject to force majeure, or (ii) if possession of the Premises is required in order to cure such default, or if such default is not susceptible of being cured by Lender, as long as Lender, in good faith, shall have notified Tenant that Lender intends to institute proceedings under the Loan Documents, and, thereafter, as long as such proceedings shall have been instituted and shall be prosecuted with reasonable diligence. In the event of the termination of the Lease by reason of any default thereunder by Landlord, upon Lender's written request, given within thirty (30) days after any such termination, Tenant, within fifteen (15) days after receipt of such request, shall execute and deliver to lender or its designee or nominee a new lease of the Premises for the remainder of the term of the Lease upon all of the terms, covenants and conditions of the Lease. Neither Lender nor its designee or nominee shall become liable under the Lease unless and until Lender or its designee or nominee becomes, and then only with respect to periods in which Lender or its designee or nominee remains, the owner of the Premises. In no event shall Lender have any personal liability as successor to Landlord and Tenant shall look only to the estate and property of Lender in the Premises for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money in the event of any default by Lender as Landlord under the Lease, and no other property or assets of Lender shall be subject to law, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to the Lease. Lender shall have the right, without Tenant's consent, to foreclose the Deed of Trust or to accept a deed in lieu of foreclosure of the Deed of Trust or to exercise any other remedies under the Loan Documents.

6. Tenant has no knowledge of any prior assignment or pledge of the rents accruing under the Lease by Landlord. Tenant hereby acknowledges the making of the Assignment from Landlord to Lender in connection with the Loan. Tenant acknowledges that the interest of the Landlord under the Lease is to be assigned to Lender solely as security for the purposes specified in said assignments, and Lender shall have no duty, liability or obligation whatsoever under the Lease or any extension or renewal thereof, either by virtue of said assignments or by any subsequent receipt or collection of rents thereunder, unless Lender shall specifically undertake such liability in writing.

7. If Tenant is a corporation, each individual executing this Agreement on behalf of said corporation represents and warrants that s/he is duly authorized to execute and deliver this Agreement on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Agreement is binding upon said corporation in accordance with its terms. If Landlord is a partnership, each individual executing this Agreement on behalf of said partnership represents and warrants the s/he is duly authorized to execute and deliver this Agreement on behalf of said partnership in accordance with the partnership agreement for said partnership.

8. Any notice, election, communication, request or other document or demand required or permitted under this Agreement shall be in writing and shall be deemed delivered on the earlier to occur of (a) receipt or (b) the date of delivery, refusal or nondelivery indicated on the return receipt, if deposited in a United States Postal Service Depository, postage prepaid, sent certified or registered mail, return receipt requested, or if sent via recognized commercial courier service providing for a receipt, addressed to Tenant or Lender, as the case may be at the following addresses:

If to Tenant:
NetFlix.com

750 University Ave.

Los Gatos, CA 95032 Attn: CFO

with a copy to:

If to Lender: Credit Suisse First Boston Mortgage Capital LLC
11 Madison Avenue,
New York, New York 10010
Attention:
---

with a copy to: Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, New York 10038
Attention: William P. McInerney, Esq.

9. The term "Lender" as used herein includes any successor or assign of the named Lender herein, including without limitation, any co-lender at the time of making the Loan, any purchaser at a foreclosure sale and any transferee pursuant to a deed in lieu of foreclosure, and their successors and assigns, and the term "Tenant" as used herein includes any successor and assign of the named Tenant herein.

10. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to be enforceable, or if such modification is not practicable such provision shall be deemed deleted from this Agreement, and the other provisions of this Agreement shall remain in full force and effect.

11. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought.

12. This Agreement shall be construed in accordance with the laws of the State of _____.

Witness the execution hereof as of the date first above written.

[LENDER]

By:

Name:
Title:

[TENANT]

By: NetFlix.com

*Name: /s/ [Illegible]^^*

Title: CFO

The undersigned Landlord hereby consents to the foregoing Agreement and confirms the facts stated in the foregoing Agreement.

[LANDLORD]

By:

Name:
Title:

Second Amendment to Lease Agreement

This Second Amendment to Lease Agreement (the "Amendment") is made and entered into as of January 4, 2000, by and between LINCOLN-RECP OLD OAKLAND OPCO, LLC, a Delaware limited liability company ("Landlord"), and NETFLIX.COM, a Delaware corporation ("Tenant"), with reference to the following facts.

Recitals

A. Landlord and Tenant have entered into that certain Lease Agreement dated as of August 11, 1999 (the "Lease"), for the leasing of certain premises consisting of approximately 31,830 rentable square feet located at 2219 Old Oakland Road, San Jose, California (the "Original Premises") as such Original Premises are more fully described in the Lease.

B. Landlord and Tenant now wish to amend the Lease to provide for, among other things, the addition of certain contiguous space to the Original Premises, all upon and subject to each of the terms, conditions, and provisions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Recitals: Landlord and Tenant agree that the above recitals are true and correct and are hereby incorporated herein as though set forth in full.

2. Premises:

2.1 Commencing on February 1, 2000 (the "AP Commencement Date") there shall be added to the Original Premises those certain premises consisting of approximately 26,020 rentable square feet located at 2217 Old Oakland Road, San Jose, California (the "Additional Premises"), which Additional Premises are depicted on the building plan attached hereto and made a part hereof as Exhibit A.

2.2 For purposes of the Lease, from and after the AP Commencement Date, the "Premises" as defined in Section 1 of the Lease shall mean and refer to the aggregate of the Original Premises and the Additional Premises consisting of a combined total of approximately 57,850 rentable square feet located at 2219 Old Oakland Road. Accordingly, from and after the AP Commencement Date, all references in this Amendment and in the Lease to the term "Premises" shall mean and refer to the Original Premises and the Additional Premises. Landlord and Tenant hereby agree that for purposes of the Lease, from and after the AP Commencement Date, the rentable square footage area of the Premises shall be conclusively deemed to be 57,850 rentable square feet. In addition to the foregoing, it is the parties express intention that the balance of the Term of the Lease for the Original Premises and the Additional Premises be coterminous with the Expiration Date of the Initial Term as specified in the Lease and that any option or renewal term described in the Lease shall be applicable to both the Premises and the Additional Premises.

2.3 Notwithstanding anything to the contrary contained herein or in the Lease, Landlord shall neither be subject to any liability, nor shall the validity of the Lease be affected if Landlord is not able to deliver to Tenant possession of the Additional Premises by the AP Commencement Date. Provided, however, Tenant's obligation to pay Rent on the Additional Premises shall commence on the date possession is tendered.

3. Base Rent: The Basic Lease Information and Section 3 of the Lease are hereby modified to provide that during the Term of the Lease the monthly Base Rent payable by Tenant to Landlord, in accordance with the provisions of Section 3 of the Lease shall be as follows:

Period	Original Premises Monthly Base Rent	Additional Premises Monthly Base Rent	Aggregate Amount of Monthly Base Rent
02/01/00 - 12/06/00	$36,605.00	$29,923.00	$66,528.00
12/07/00 - 12/06/01	$38,196.00	$31,224.00	$69,420.00
12/07/01 - 12/06/02	$39,788.00	$32,525.00	$72,313.00
12/07/02 - 12/06/03	$41,379.00	$33,826.00	$75,205.00
12/07/03 - 12/06/04	$42,971.00	$35,127.00	$78,098.00

4. Condition of the Additional Premises: Subject to the provisions of Section 2 above, on the AP Commencement Date Landlord shall deliver to Tenant possession of the Additional Premises in its then existing condition and state of repair, "AS IS", without any obligation of Landlord to remodel, improve or alter the Additional Premises, to perform any other construction or work of improvement upon the Additional Premises, or to provide Tenant with any construction or refurbishing allowance. Tenant acknowledges that no representations or warranties of any kind, express or implied, respecting the condition of the Additional Premises, Building, or Park or have been made by Landlord or any agent of Landlord to Tenant, except as expressly set forth herein. Tenant further acknowledges that neither Landlord nor any of Landlord's agents, representatives or employees have made any representations as to the suitability or fitness of the Additional Premises for the conduct of Tenant's business, including without limitation, any storage incidental thereto, or for any other purpose. Any exception to the foregoing

provisions must be made by express written agreement signed by both parties.

5. Security Deposit: Tenant's existing Security Deposit of Two Hundred Nineteen Thousand Six Hundred Thirty and 00/100 Dollars ($219,630.00) shall be reduced to Zero Dollars ($0.00) and such Security Deposit amount shall be returned to Tenant upon Landlord's receipt of the Letter of Credit (which must be in form and content acceptable to Landlord as set froth in Section 14) pursuant to Section 14 of this Amendment. In addition, the final two (2) sentences of Section 4 of the Lease are hereby deleted and of no further force or effect.

6. Tenant's Share of Operating Expenses: As of the AP Commencement Date, the Lease shall be modified to provide that Tenant's Share of Operating Expenses (as defined in the Basic Lease Information and Section 6

of the Lease) shall be increased to 100% of the Building, 41% of the Park.

7. Tenant's Share of Tax Expenses: As of the AP Commencement Date, the Lease shall be modified to provide that Tenant's Share of Tax Expenses (as defined in the Basic Lease Information and Section 6.2 of the Lease) shall be increased to 41%.

8. Tenant's Share of Utility Expenses: As of the AP Commencement Date, the Lease shall be modified to provide that Tenant's Share of Utility Expenses (as defined in the Basic Lease Information and Section 7 of the Lease) shall be increased to 100% of the Building, 41% of the Park.

9. Tenant's Share of Common Area Utility Costs: As of the AP Commencement Date, the Lease shall be modified to provide that Tenant's Share of common Area Utility Costs (as defined in the Basic Lease Information and Section 7 of the Lease) shall be increased to 100% of the Building, 41% of the Park.

10. Unreserved Parking Spaces: As of the AP Commencement Date, the Lease shall be modified to provide that Tenant's Unreserved Parking Spaces (as defined in the Basic Lease Information) shall be increased to two hundred thirty-three (233).

11. Insurance: Tenant shall deliver to Landlord, upon execution of this Amendment, a certificate of insurance evidencing that the Additional Premises are included within and covered by Tenant's insurance policies required to be carried by Tenant pursuant to the Lease.

12. Brokers: Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment other than Cornish & Carey. If Tenant has dealt with any other person, real estate broker or agent with respect to this Amendment other than Cornish & Carey, Tenant shall be solely responsible for the payment of any fee due to said person or firm, and Tenant shall indemnify, defend and hold Landlord free and harmless against any claims, judgments, damages, costs, expenses, and liabilities with respect thereto, including attorneys' fees and costs.

13. Park and Building: The Park, as defined in the Basic Lease Information, shall herein be modified to reflect the current aggregate building area of 140,254 rentable square feet, and the Building, as defined in the Basic Lease information shall herein be modified to 57,850 rentable square feet.

14. Collateral for Performance of Lease Obligations: Simultaneously with Tenant's execution and delivery of this Amendment to Landlord and as a condition precedent to the effectiveness of this Amendment, Tenant shall deliver to Landlord, as collateral for the full and faithful 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, an irrevocable and unconditional negotiable letter of credit, in the form and containing the terms required herein, payable in the City of Foster City, California running in favor of Landlord issued by a solvent bank under the supervision of the Superintendent of Banks of the State of California, or a National Banking Association, in the amount of Four Hundred Two Thousand and 00/100 Dollars ($402,000.00) (the "Letter of Credit"). The Letter of Credit shall be (a) at sight and irrevocable,
(b) maintained in effect, whether through replacement, renewal or extension, for the entire Lease Term (the "Letter of Credit Expiration Date") and Tenant shall deliver a new Letter of Credit or certificate of renewal or extension to Landlord at least thirty (30) days prior to the expiration of the Letter of Credit, without any action whatsoever on the part of Landlord, (c) subject to the Uniform Customs and Practices for Documentary Credits (1993-Rev) International Chamber of Commerce Publication #500, (d) acceptable to Landlord in its sole discretion, and (e) fully assignable by Landlord by amendment thereto in accordance with customary letter of credit practice and permit partial draws. In addition to the foregoing, the form and terms of the Letter of Credit (and the bank issuing the same) shall be acceptable to Landlord, in Landlord's sole discretion, and shall provide, among other things, in effect that: (1) Landlord, or its then managing agent, shall have the right to draw down an amount up to the face amount of the Letter of Credit upon the presentation to the issuing bank of Landlord's (or Landlord's then managing agent's) statement that such (A) amount is due to Landlord under the terms and conditions of this Lease, it being understood that if Landlord or its managing agent be a corporation, partnership or other entity, then such statement shall be signed by an officer (if a corporation), a general partner (if a partnership), or any authorized party (if another entity), and (B) an event of default has occurred under this Lease and all applicable notice and cure periods have elapsed; (2) the Letter of Credit will be honored by the issuing bank without inquiry as to the accuracy thereof and regardless of whether the Tenant disputes the content of such statement; and (3) in the event of a transfer of Landlord's interest in the Building, Landlord shall transfer the Letter of Credit, in whole or in part (or cause a substitute letter of credit to be delivered, as applicable), to the transferee and thereupon the Landlord shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole or any portion of said Letter of Credit to a new Landlord. If, as a result of any such application of all or any part of the Letter of Credit, the amount of the Letter of Credit shall be less than Four Hundred Two Thousand and 00/100 Dollars ($402,000.00), Tenant shall within five (5) 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 amount of Four Hundred Two Thousand and 00/100 Dollars ($402,000.00) and each such additional (or replacement) letter of credit shall comply with all of the provisions of this Section 14, and if Tenant fails to do so, the same shall constitute an incurable 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. Without limiting the generality of the foregoing, if the Letter of Credit expires earlier than the Letter of Credit Expiration Date, Landlord will accept a renewal thereof or substitute letter of credit (such renewal or substitute letter of credit to be in effect not later than thirty
(30) days prior to the expiration thereof), which shall be irrevocable and automatically renewable as above provided through the Letter of Credit Expiration Date upon the same terms as the expiring letter of credit or such other terms as may be acceptable to Landlord in its reasonable discretion. However, if the Letter of Credit is not timely renewed or a substitute letter of credit is not timely received, or if Tenant fails to maintain the Letter of Credit in the amount and terms set forth in this Section 14, Landlord shall have the right to present such Letter of Credit to the bank in accordance with the terms of this Section 14, and the entire sum evidenced thereby shall be paid to and held by Landlord as collateral for performance of all of Tenant's obligations under this Lease and for all losses and damages Landlord may suffer as a result of any default by Tenant under this Lease. If there shall occur a default under this Lease as set forth in Section 20 of this Lease, Landlord may, but

without obligation to do so, draw upon the Letter of Credit, in part or in whole, to cure any default of Tenant and/or to compensate Landlord for any and all damages of any kind or nature sustained or which may be sustained by Landlord resulting from Tenant's default. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a "draw" by Landlord of any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw from the Letter of Credit. 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. Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal thereof or substitute therefor be (i) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7 (as supplemented, amended, replaced and substituted from time to time), (ii) subject to the terms of such Section 1950.7 (as supplemented, amended, replaced and substituted from time to time), or (iii) intended to serve as a "security deposit" within the meaning of such Section 1950.7 (as supplemented, amended, replaced and substituted from time to time). The parties hereto (x) recite that the Letter of Credit is not intended to serve as a security deposit and such Section 1950.7 (as supplemented, amended, replaced and substituted from time to time) and any and all other laws, rules and regulations applicable to security deposits in the commercial context ("Security Deposit Laws") shall have no applicability or relevancy to the Letter of Credit and (y) 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.

Notwithstanding the foregoing, on the third anniversary of the Commencement Date of the Lease, or following Tenant's public offering of its stock and subsequent achievement of a net worth of at least Forty Million Dollars ($40,000,000.00) and such net worth is then sustained for three consecutive financial quarters and substantiated by financial reports provided by Tenant to Landlord, which ever event occurs sooner, and, so long as Tenant has not been in material default of the Lease beyond any applicable cure period, then Tenant shall have the right to provide a cash Security Deposit to Landlord in the amount of Seventy Eight Thousand Seven Hundred Thirty-Three and 00/100 Dollars ($78,733.00) (the "New Deposit"). In the event that Tenant has met the financial and other requirements set forth above and Tenant is no longer required to maintain the Letter of Credit, so long as Tenant delivers the New Deposit to Landlord, as set forth herein, Landlord and Tenant shall execute an Amendment to the Lease signifying such removal of the Letter of Credit requirement and Tenant shall deposit the New Deposit with Landlord and Landlord shall return the Letter of Credit to Tenant. Thereafter, for the purposes of this Lease, the New Deposit shall be (i) deemed to be the "Security Deposit" under the terms of the Lease and (ii) subject to all of the provisions of the Lease relating to the "Security Deposit".

15. Tenant's Early Termination Option: The parties hereby acknowledge and agree that effective as of the date of this Amendment the Termination Option pursuant to Section 41 of the Lease shall be deleted in its entirety and shall be of no further force and effect and Tenant shall have no further right to terminate the Lease.

16. Effect of Amendment: Except as modified herein, the terms and conditions of the Lease shall remain unmodified and continue in full force and effect. In the event of any conflict between the terms and conditions of the Lease and this Amendment, the terms and conditions of this Amendment shall prevail.

17. Definitions: Unless otherwise defined in this Amendment, all terms not defined in this Amendment shall have the meanings assigned to such terms in the Lease.

18. Authority: Subject to the assignment and subletting provisions of the Lease, this Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns. Each party hereto and the persons signing below warrant that the person signing below on such party's behalf is authorized to do so and to bind such party to the terms of this Amendment.

19. Incorporation: The terms and provisions of the Lease are hereby incorporated in this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

Tenant:

NETFLIX.COM,
a Delaware corporation

By: /s/

Its: CFO

Date: 1/5/00

By: /s/

Its: CFO

Date: 1/5/00

Landlord:

LINCOLN-RECP OLD OAKLAND OPCO, LLC,

a Delaware limited liability company

By: LEGACY PARTNERS COMMERCIAL, INC.
as manager and agent for Lincoln-RECP Old Oakland OPCO, LLC

By: /s/
Senior Vice President

Date:

If Tenant is a CORPORATION, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The Lease must be executed by the president or vice-president and the secretary or assistant

secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease.

Exhibit A Original Premises and Additional Premises

The non cross-hatched area below represents the "Additional Premises".

[Site Plan]

EXHIBIT 10.8

April 19, 1999 (LETTERHEAD OF NETFLIX.COM)

W. Barry McCarthy
113 Gallup Road
Princeton, NJ 08540

Dear Barry:

On behalf of NetFlix, Inc., it is my pleasure to offer to you for the position of Chief Financial Officer reporting to Reed Hastings, CEO. Your annual salary will be $170,000 to be paid bi-weekly. You will also receive an annual bonus targeted at $20,000.00 based on mutually determined factors and paid in six- month increments.

In addition, we are pleased to offer you an option to purchase 330,000 shares of the Company's Common Stock, subject to final approval by the Board of Directors. The purchase price will be equal to the fair market value at the date of the grant in accordance with the NetFlix, Inc. 1997 Stock Plan. These options will vest over four years with one year cliff vesting and monthly vesting thereafter. Should NetFlix.com be acquired, 50% (fifty percent) of these unvested options, or 12 months worth whichever is greater, will vest immediately. If the Company is acquired prior to May 1, 2000, total vested options shall be 206,250.

The Company will provide relocation assistance for you and your family to relocate from Princeton, New Jersey to the San Francisco Bay Area to a cap of $50,000. This does not include your temporary travel and short term accommodations until your family joins you (anticipated to be July 1999). These expenses will be either pre-paid by the Company or receipted and reimbursed to you.

As a full-time employee of NetFlix, you are entitled to standard company employee benefits such as vacation, sick leave and full medical insurance.

It should be noted that as a condition of employment, you will be required to sign an agreement which addresses the issues of confidentiality, conflicts of interest, non-competition, and patent assignments. Additionally, on your first day of employment, you will be required to provide the Company documentary evidence of your identity and eligibility for employment in the United States to satisfy the requirements of Employment Eligibility Verifications (Form I-9) as required by Federal law.

While we hope and expect that this will be the beginning of a long and rewarding employment relationship, your employment is at-will, and either you or NetFlix may terminate this employment relationship at anytime and for any reason, with or without cause. We will provide you severance of six months with continued salary, and benefits if your employment is terminated for reason other than cause during your first year of employment.

The entire NetFlix team is looking forward to working with you!

Sincerely,

/s/ Reed Hastings

Reed Hastings
CEO

Agreed to and Accepted:

/s/ W. Barry McCarthy	*4/19/99*	*4/19/99*
W. Barry McCarthy	*Date*	*Start Date*

EXHIBIT 10.9
KIBBLE, INC.

FOUNDER'S RESTRICTED STOCK PURCHASE AGREEMENT

This Founders Stock Purchase Agreement (the "Agreement") is made as of the 20th day of October 1997 by and between Kibble Inc., a Delaware corporation (the "Company"), and Reed Hastings (the "Founder").

WHEREAS pursuant to the formation of the Company and in order to induce Founder to contribute certain property to the Company, the Company will issue to Founder 500,000 shares of Common Stock of the Company (the "Common Stock").

THEREFORE, in consideration of the mutual covenants and representations herein set forth, the parties agree as follows:

1. Purchase. Subject to the terms and conditions of this Agreement, the Company hereby agrees to issue to Founder and Founder agrees to acquire from the Company on the Closing Date (as defined below), 500,000 shares of the Common Stock (the "Shares") at a price of $0.05 per share, for an aggregate consideration of $25,000.00 which consideration will be paid by Founder in the form of the assignment and transfer to the Company (the "Exchange") of all of Founder's right, title and interest in and to all trade secrets, discoveries, concepts, ideas, whether patentable or not, and all improvements thereto, presently owned by Founder relating to the Founder's business plan (the "Business Plan"), a description of which is attached hereto as Exhibit A. Founder's interest in the Business Plan is valued at $25,000.00. It is hereby acknowledged that the Business Plan is co-owned by Founder and Marc B. Randolph, and that Mr. Randolph's interest in the Business Plan will be transferred pursuant to a separate founders' stock purchase agreement. The parties intend that the Exchange shall constitute a transfer in which no gain or loss is recognized in accordance with the provisions of Section 351 of the Internal Revenue Code of 1986, as amended.

2. Closing. The purchase and sale of the Shares shall occur at a Closing to be held contemporaneously with the execution hereof (the "Closing Date"). At the Closing, Founder is hereby assigning, transferring and delivering to the Company the consideration to be paid for the Shares, and the Company is issuing the Shares registered in the name of the Founder.

3. Repurchase Option.

(a) In the event of any voluntary or involuntary termination of the Founder's Continuous Status (as such term is defined below) as an employee or board member of the Company for any or no reason (including death or disability) before all of the Shares are released from the Company's repurchase option pursuant to Section 4 hereof the Company shall, upon the date of such termination (as reasonably fixed and determined by the Company) have an irrevocable, exclusive option for a period of sixty (60) days from such date to repurchase up to that number of shares which constitute the Unreleased Shares (as such term defined in Section 4 hereof) at the original purchase price per share (the "Repurchase Price"). Said option shall be exercised by the

Company by delivering written notice to the Founder or the Founder's executor
(with a copy to the Escrow Holder (as such term is defined in Section 6 hereof))
AND, at the Company's option, (i) by delivering to the Founder or the Founder's executor a check in the amount of the aggregate Repurchase Price, or (ii) by the Company canceling an amount of the Founder's indebtedness to the Company equal to the aggregate Repurchase Price, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals such aggregate Repurchase Price. Upon delivery of such notice and the payment of the aggregate Repurchase Price in any of the ways described above, the Company shall become the legal and beneficial owner of the Shares being repurchased and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Shares being repurchased by the Company. For purposes of this Agreement, "Continuous Status" means the absence of any interruption of Founder's employment by or service as a member of the Board of Directors of the Company; provided that (i) for purposes of this Agreement, Founder's "employment" shall be deemed to include part-time employment status and (ii) any transition from Board of Directors member to employee or from employee to Board of Directors member shall not be considered an interruption of "Continuous Status".

(b) Whenever the Company shall have the right to repurchase Shares hereunder, the Company may designate and assign one or more employees, officers, directors or stockholders of the Company or other persons or organizations to exercise all or a part of the Company's purchase rights under this Agreement and purchase all or a part of such Shares. If the Fair Market Value of the Shares to be repurchased on the date of such designation or assignment (the "Repurchase FMV") exceeds the aggregate Repurchase Price of such Shares, then each such designee or assignee shall pay the Company cash equal to the difference between the Repurchase FMV and the aggregate Repurchase Price of such Shares.

4. Release of Shares From Repurchase Option.

(a) (i) Twenty-five percent (25%) of the Shares shall be released from the Company's repurchase option exactly one year after the date of execution of this Agreement and one forty-eighth (1/48) of the Shares shall be released each month thereafter, provided in each case that the Founder's Continuous Status with the Company has not terminated prior to the date of any such release.

(ii) With respect to the vesting set forth in Section 4(a)(i) above, in the case of an Acquisition of the Company, as defined herein, then one hundred percent (100%) of the balance of the Shares which have not yet been released from the Company's repurchase option as set forth above shall be released from the Company's repurchase option as of the date of closing of the Acquisition. For purposes of this Agreement, "Acquisition" shall mean the Company's acquisition by an unaffiliated third party by way of merger after which the stockholders of the Company own less than fifty percent (50%) of the outstanding voting securities of the surviving corporation, or by way of sale by the Company of all or substantially all of its assets or stock.

(b) Any of the Shares which have not yet been released from the Company's repurchase option are referred to herein as "Unreleased Shares."

(c) The Shares which have been released from the Company's repurchase option shall be delivered to the Founder at the Founder's request (see Section 6 hereof).

5. Restriction on Transfer; Right of First Refusal.

(a) Before any Shares registered in the name of the Founder may be sold or transferred (including transfer by operation of law), such Shares shall first be offered to the Company.

(i) The Founder shall deliver a notice ("Notice") to the Company stating (A) Founder's bona fide intention to sell or transfer such Shares, (B) the number of such Shares to be sold or transferred, (C) the price for which the Founder proposes to sell or transfer such shares, and (D) the name of the proposed purchaser or transferee.

(ii) Within thirty (30) days after receipt of the Notice, the Company or its assignee may elect to purchase all (but not less than all) Shares to which the Notice refers, at the price per share specified in the Notice. Full payment for all the Shares to which the Notice refers shall be made by the Company or its assignee to the Founder by cash.

(iii) If the Shares to which the Notice refers are not elected to be purchased, as provided in subparagraph 5(a)(ii), the Founder may sell the Shares to any person named in the Notice at the price specified in the Notice or at a higher price, provided that such sale or transfer is consummated within 60 days of the date of said Notice to the Company, and provided, further, that any such sale is in accordance with all the terms and conditions hereof. Any sale or transfer after such 60 day period or on terms more favorable to the proposed purchaser or transferee then described in the Notice shall be subject again to this subparagraph 5(a).

(iv) The provisions of this subparagraph 5(a) shall terminate on the earlier of (A) the effective date of a registration statement filed by the Company under the Securities Act of 1933, as amended (the "Securities Act"), with respect to an underwritten public offering of Common Stock of the Company or (B) the closing date of a sale of assets or merger of the Company pursuant to which stockholders of this Company receive securities of a buyer whose shares are publicly traded. The provisions of this subparagraph 5(a) shall not apply to a transfer of any Shares by the Founder, either during his lifetime or on death by will or intestacy to his ancestors, descendants or spouse; provided, in each such case a transferee shall receive and hold such Shares subject to the provisions of this Agreement and there shall be no further transfer of such Shares except in accordance herewith.

(b) Founder agrees in connection with the Company's initial public offering of its equity securities pursuant to a registration statement filed under the Securities Act, not to sell,

make any short sale of, loan, grant any option for the purchase of or otherwise dispose of any Shares without the prior written consent of the Company or its underwriters, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such underwriters; provided, that the officers and directors of the Company who own stock of the Company also agree to such restrictions.

(c) The Company shall not be required (A) to transfer on its books any Shares which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (B) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares shall have been so transferred.

6. Escrow of Shares.

(a) All of the Shares issued under this Agreement shall be held by the Secretary of the Company or his designee (the "Escrow Holder"), along with a stock assignment executed by the Founder in blank, until the expiration in full of the Company's option to repurchase such Shares as set forth above.

(b) The Escrow Holder is hereby directed to permit transfer of the Shares only in accordance with this Agreement or instructions signed by both parties. In the event further instructions are desired by the Escrow Holder, he shall be entitled to rely upon directions executed by a majority of the authorized number of the Company's Board of Directors. The Escrow Holder shall have no liability for any act or omission hereunder while acting in good faith in the exercise of his own judgment.

(c) If the Company or any assignee exercises its repurchase option hereunder, the Escrow Holder, upon receipt of written notice of such option exercise from the proposed transferee, shall take all steps necessary to accomplish such transfer.

(d) When the repurchase option has been exercised or expires unexercised or a portion of the Shares has been released from such repurchase option, upon Founder's request the Escrow Holder shall promptly cause a new certificate to be issued for such released shares and shall deliver such certificates to the Founder.

(e) Subject to the terms hereof, the Founder shall have all the rights of a stockholder with respect to such Shares while they are held in escrow, including without limitation, the right to vote the Shares and receive any cash dividends declared thereon. If, from time to time during the term of the Company's repurchase option, there is (i) any stock dividend, stock split or other change in the Shares, or (ii) any merger or sale of all or substantially all of the assets or other acquisition of the Company, any and all new, substituted or additional securities to which the Founder is entitled by reason of his ownership of the Shares shall be immediately subject to this escrow, deposited with the Escrow Holder and included thereafter as "Shares" for purposes of this Agreement and the Company's repurchase option.

7. Legends. All certificates representing any of the Shares subject to the provisions of this Agreement shall have endorsed thereon legends substantially in the following form:

(a) "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

(b) "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, A REPURCHASE OPTION AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE FOUNDERS STOCK PURCHASE AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND REPURCHASE OPTION ARE BINDING ON TRANSFEREES OF THESE SHARES."

8. Founder's Representations. In connection with the purchase of the Shares and the assignment and transfer of the Business Plan to the Company, Founder hereby represents and warrants to the Company:

(a) Founder has not previously assigned, transferred, conveyed or otherwise encumbered any of his rights, title or interests in the Business Plan. Founder and Mr. Randolph are the exclusive owners of the Business Plan, and no other persons or entities has or shall have any claim of ownership with respect to any part of the Business Plan. To the best of the Founder's knowledge, no persons are infringing any of the intellectual property rights of the Founder in connection with the Business Plan.

(b) Founder represents and warrants that Founder is acquiring or will be acquiring the Shares for investment for Founder's own account, not as a nominee or agent and not with the view to, or for resale in connection with, any distribution thereof. Founder understands that the Shares have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act that depends upon, among other things, the bona fide nature of the investment intent and the accuracy of such Founder's representations as expressed herein. Founder has not been formed for the specific purpose of acquiring the Shares. Founder further understands that the Company shall have no obligation to register the Shares under the Act on behalf of Founder.

(c) Founder is aware of the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain of the conditions specified

by Rule 144, including, among other things: (1) the Sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (2) the availability of certain public information about the Company, and the amount of securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), if applicable.

In the event that the Company does not qualify under Rule 701, then the securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires among other things: (1) the resale occurring not less than two years after the party has purchased, and made full payment for, within the meaning of Rule 144, the securities to be sold; and, in the case of an affiliate, or of a non-affiliate who has held the securities less than three years, (2) the availability of certain public information about the Company, (3) the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as such term is defined under the Securities Exchange Act of 1934, and (4) the amount of securities being sold during any three month period not exceeding the specified limitations stated therein, if applicable.

(d) Founder further understands that at the time Founder wishes to sell the securities there may be no public market upon which to make such a sale, and that, even if such a public market then exists the Company may not be satisfying the current public information requirements of Rule 144, and that, in such event, Founder would be precluded from selling the securities under Rule 144 even if the two-year minimum holding period had been satisfied.

(e) Founder further understands that in the event all of the applicable requirements of Rule 701 and Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A or some other registration exemption will be required; and that, notwithstanding the fact that Rule 701 and Rule 144 are not exclusive, the staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 701 and Rule 144 will have a substantial burden of proof establishing that an exemption from registration is available for such offers or sales and that such persons and their respective brokers who participate in such transactions do so at their own risk.

9. Tax Consequences. The Founder has reviewed with the Founder's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement (including any tax consequences that may result under recently enacted tax legislation). The Founder is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Founder understands that the Founder (and not the Company) shall be responsible for the Founder's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

10. Miscellaneous.

(a) The parties agree to execute such further instruments and to take such further actions as may reasonably be necessary to carryout the intern of this Agreement.

(b) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by regular or certified mail with postage and fees prepaid, addressed to Founder at his address shown on the Company's employment records and to the Company at the address of its principal corporate offices (attention: President) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

(c) The Company may assign its rights and delegate its duties under this Agreement. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer herein set forth, be binding upon Founder, his heirs, executors, administrators, successors and assigns.

(d) FOUNDER ACKNOWLEDGES AND AGREES THAT THE RELEASE OF SHARES FROM THE REPURCHASE OPTION OF THE COMPANY PURSUANT TO SECTION 4 HEREOF IS EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED OR PURCHASING SHARES HEREUNDER). FOUNDER FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH FOUNDER'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE FOUNDER'S EMPLOYMENT OR CONSULTING RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE.

(e) This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

FOUNDER	COMPANY
Reed Hastings	
	Kibble, Inc. a Delaware corporation
/s/ Reed Hastings	/s/ Marc B. Randolph
----------	----------
	By:
Address:	President

The Founder has reviewed the provisions of this Agreement, has had an opportunity to obtain the advice of the Founder's own tax and legal advisors prior to executing this Agreement and fully understands and agrees to the provisions hereof. The Founder understands that the law firm of Wilson, Sonsini, Goodrich & Rosati is acting as counsel to the Company in connection with the transactions contemplated by the Agreement, and is not acting as counsel for the Founder.

FOUNDER

EXHIBIT A

DESCRIPTION BUSINESS PLAN

EXHIBIT A

The Business Plan contemplates the formation of a company for the conduct of renting and selling digital video discs over the Internet (the "Business"). For purposes hereof the property transferred by Founder pursuant to the Agreement shall include all technology (including works in process), technical and strategic know-how and other assets related to or useful for the conduct of the Business, including without limitation, all of the following related to such technology, technical and strategic know-how and other assets: flow charts; models; software; prototypes; tests; specifications; descriptions; layouts; schematics; blueprints; engineering and design drawings; diagrams and other documentation depicting or specifying the designs or components of such technology, technical and strategic know-how and other assets; business, accounting and financial records and analysis; competitive analysis and evaluation and related data; logs; books; records; files; materials and correspondence.

CONSENT OF SPOUSE

I, Patty Quillin spouse of Reed Hastings read and approve the foregoing Agreement. In consideration of granting of the right to my spouse to purchase shares of Common Stock of Kibble, Inc. as set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares issued pursuant thereto under the community property laws of the State of California or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: October 31, 1997

/s/ Patty Quillin

(Signature of Spouse)

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I,_____, hereby sell, assign and transfer unto _____ shares of the Common Stock of Kibble, Inc. standing in my name on the books of said corporation represented by Certificate No.___ herewith and do hereby irrevocably constitute and appoint-the Secretary of Kibble, Inc. or his designee, to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Stock Purchase agreement between the corporation and the undersigned dated , 199_.

Dated:_____, 199_.

Signature: /s/ Reed Hastings

Name : Reed Hastings

NETFLIX, INC.

AMENDMENT NO. 1 TO FOUNDER'S RESTRICTED STOCK PURCHASE AGREEMENT

This Amendment No. 1 (the "Amendment") to the Founder's Restricted Stock Purchase Agreement (the "Agreement") with Reed Hastings (the "Founder") is made this 12th day of June 1998 by and between the Founder and Netflix, Inc., a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Company and the Founder have previously entered into the Agreement pursuant to which the Company issued to Founder 500,000 shares of Common Stock of the Company (the "Shares") to induce Founder to contribute certain property to the Company; and

WHEREAS, the Company and the Founder desire to amend the Agreement to provide for certain limitations on the acceleration of vesting of the Shares in the event of a change in control.

NOW, THEREFORE, the Founder and the Company agree that the Agreement shall be amended as follows:

1. Section 4 titled "Release of Shares From Repurchase Option" is hereby amended in its entirety to rear as follows

"4. Release of Shares From Repurchase Option.

(a) (i) Twenty-five percent (25%) of the Shares shall be released from the Company's repurchase option exactly one year after the date of execution of this Agreement and one forty-eighth (1/48) of the Shares shall be released each month thereafter, provided in each case that the Founder's Continuous Status with the Company has not terminated prior to the date of any such release.

(ii) With respect to the vesting set forth in Section 4(a)(i) above, in the case of an Acquisition of the Company (as defined below), then the balance of the Shares which have not yet been released from the Company's repurchase option as set forth above shall be released from the Company's repurchase option as follows:

(A) Fifty percent (50%) of the Unreleased Shares (as defined below) shall be released from the Company's repurchase option as of the date of closing of the Acquisition.

(B) Upon consummation of the Acquisition, the remainder of the Unreleased Shares shall continue to vest in accordance with the terms of this Agreement;

provided, however, that if Founder's employment with the Company or the successor corporation, as applicable, is terminated by the successor corporation as a result of an Involuntary Termination (as defined below) other than for Cause (as defined below) within twelve months following an Acquisition, the remainder of all Unreleased Shares shall be released from the Company's repurchase option as of the date of such Involuntary Termination.

For purposes of this Section 4, any of the following events shall constitute an "Involuntary Termination": (i) a significant reduction of the Founder's duties, authority or responsibilities, relative to the Founder's duties, authority or responsibilities as in effect immediately prior to the Acquisition, or the assignment to Founder of such reduced duties, authority or responsibilities; (ii) a substantial reduction of the facilities and perquisites (including office space and location) available to the Founder immediately prior to the Acquisition; (iii) a reduction in the base salary of the Founder as in effect immediately prior to the Acquisition; (iv) a material reduction in the kind or level of employee benefits, including bonuses, to which the Founder was entitled immediately prior to the Acquisition with the result that the Founder's overall benefits package is significantly reduced; (v) the relocation of the Founder to a facility or a location more than fifty (50) miles from the Founder's then present location, without the Founder's express written consent;
(vi) any purported termination of the Founder by the successor corporation which is not effected for disability or for Cause, or any purported termination for which the grounds relied upon are not valid; or (vii) any act or set of facts or circumstances which would, under California law or statute constitute a constructive termination of the Founder.

For purposes of this Section 4, "Cause" shall mean (i) any act of personal dishonesty taken by the Founder in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Founder, (ii) the conviction of a felony, (iii) a willful act by the Founder which constitutes gross misconduct and which is injurious to the successor corporation, and (iv) following delivery to the Founder of a written demand for performance from the successor corporation which describes the basis for the successor corporation's belief that the Founder has not substantially performed his duties, continued violations by the Founder of the Founder's obligations to the successor corporation which are demonstrably willful and deliberate on the Founder's part.

For purposes of this Agreement, "Acquisition" shall mean the Company's acquisition by an unaffiliated third party by way of merger after which the stockholders of the Company own less than fifty percent (50%) of the outstanding voting securities of the surviving corporation, or by way of sale by the Company of all or substantially all of its assets or stock.

(b) Any of the Shares which have not yet been released from the Company's repurchase option (and any shares of capital stock or other property exchangeable therefor pursuant to an Acquisition) are referred to herein as "Unreleased Shares."

(c) The Shares which have been released from the Company's repurchase option shall be delivered to the Founder at the Founder's request (see Section 6 hereof).

IN WITNESS WHEREOF, this Amendment has been entered into as of the date first set forth above.

NETFLIX, INC.	*FOUNDER*
By: /s/ Marc Randolph	*/s/ Reed Hastings*
Name: Marc Randolph	
Title: President & Chief Executive Officer	

Exhibit 10.10

KIBBLE, INC.

FOUNDER'S RESTRICTED STOCK PURCHASE AGREEMENT

This Founders Stock Purchase Agreement (the "Agreement") is made as of the ___ day of October 1997 by and between Kibble Inc., a Delaware corporation (the "Company"), and Marc B. Randolph (the "Founder").

WHEREAS pursuant to the formation of the Company and in order to induce Founder to contribute certain property to the Company, the Company will issue to Founder 2,700,000 shares of Common Stock of the Company (the "Common Stock").

THEREFORE, in consideration of the mutual covenants and representations herein set forth, the parties agree as follows:

1. Purchase. Subject to the terms and conditions of this Agreement, the Company hereby agrees to issue to Founder and Founder agrees to acquire from the Company on the Closing Date (as defined below), 2,700,000 shares of the Common Stock (the "Shares") at a price of $0.05 per share, for an aggregate consideration of $135,000.00 which consideration will be paid by Founder in the form of the assignment and transfer to the Company (the "Exchange") of all of Founder's right, title and interest in and to all trade secrets, discoveries, concepts, ideas, whether patentable or not, and all improvements thereto, presently owned by Founder relating to the Founder's business plan (the "Business Plan"), a description of which is attached hereto as Exhibit A. Founder's interest in the Business Plan is valued at $135,000.00. It is hereby acknowledged that the Business Plan is co-owned by Founder and Reed Hastings, and that Mr. Hastings' interest in the Business Plan will be transferred pursuant to a separate founders' stock purchase agreement. The parties intend that the Exchange shall constitute a transfer in which no gain or loss is recognized in accordance with the provisions of Section 351 of the Internal Revenue Code of 1986, as amended.

2. Closing. The purchase and sale of the Shares shall occur at a Closing to be held contemporaneously with the execution hereof (the "Closing Date"). At the Closing, Founder is hereby assigning, transferring and delivering to the Company the consideration to be paid for the Shares, and the Company is issuing the Shares registered in the name of the Founder.

3. Repurchase Option.

(a) In the event of any voluntary or involuntary termination of the Founder's Continuous Status (as such term is defined below) as an employee or board member of the Company for any or no reason (including death or disability) before all of the Shares are released from the Company's repurchase option pursuant to Section 4 hereof, the Company shall, upon the date of such termination (as reasonably fixed and determined by the Company) have an irrevocable, exclusive option for a period of sixty (60) days from such date to repurchase up to that number of shares which constitute the Unreleased Shares (as such term defined in Section 4 hereof) at the original purchase price per share (the "Repurchase Price"). Said option shall be exercised by the

Company by delivering written notice to the Founder or the Founder's executor
(with a copy to the Escrow Holder (as such term is defined in Section 6 hereof))
AND, at the Company's option, (i) by delivering to the Founder or the Founder's executor a check in the amount of the aggregate Repurchase Price, or (ii) by the Company canceling an amount of the Founder's indebtedness to the Company equal to the aggregate Repurchase Price, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals such aggregate Repurchase Price. Upon delivery of such notice and the payment of the aggregate Repurchase Price in any of the ways described above, the Company shall become the legal and beneficial owner of the Shares being repurchased and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Shares being repurchased by the Company. For purposes of this Agreement, "Continuous Status" means the absence of any interruption of Founder's employment by or service as a member of the Board of Directors of the Company; provided that (i) for purposes of this Agreement, Founder's "employment" shall be deemed to include part-time employment status and (ii) any transition from Board of Directors member to employee or from employee to Board of Directors member shall not be considered an interruption of "Continuous Status".

(b) Whenever the Company shall have the right to repurchase Shares hereunder, the Company may designate and assign one or more employees, officers, directors or stockholders of the Company or other persons or organizations to exercise all or a part of the Company's purchase rights under this Agreement and purchase all or a part of such Shares. If the Fair Market Value of the Shares to be repurchased on the date of such designation or assignment (the "Repurchase FMV") exceeds the aggregate Repurchase Price of such Shares, then each such designee or assignee shall pay the Company cash equal to the difference between the Repurchase FMV and the aggregate Repurchase Price of such Shares.

4. Release of Shares From Repurchase Option.

(a) (i) Twenty-five percent (25%) of the Shares shall be released from the Company's repurchase option exactly one year after the date of execution of this Agreement and one forty-eighth (1/48) of the Shares shall be released each month thereafter, provided in each case that the Founder's Continuous Status with the Company has not terminated prior to the date of any such release.

(ii) With respect to the vesting set forth in Section 4(a)(i) above, in the case of an Acquisition of the Company, as defined herein, then one hundred percent (100%) of the balance of the Shares which have not yet been released from the Company's repurchase option as set forth above shall be released from the Company's repurchase option as of the date of closing of the Acquisition. For purposes of this Agreement, "Acquisition" shall mean the Company's acquisition by an unaffiliated third party by way of merger after which the stockholders of the Company own less than fifty percent (50%) of the outstanding voting securities of the surviving corporation, or by way of sale by the Company of all or substantially all of its assets or stock.

(b) Any of the Shares which have not yet been released from the Company's repurchase option are referred to herein as "Unreleased Shares."

(c) The Shares which have been released from the Company's repurchase option shall be delivered to the Founder at the Founder's request (see Section 6 hereof).

5. Restriction on Transfer; Right of First Refusal.

(a) Before any Shares registered in the name of the Founder may be sold or transferred (including transfer by operation of law), such Shares shall first be offered to the Company.

(i) The Founder shall deliver a notice ("Notice") to the Company stating (A) Founder's bona fide intention to sell or transfer such Shares, (B) the number of such Shares to be sold or transferred, (C) the price for which the Founder proposes to sell or transfer such shares, and (D) the name of the proposed purchaser or transferee.

(ii) Within thirty (30) days after receipt of the Notice, the Company or its assignee may elect to purchase all (but not less than all) Shares to which the Notice refers, at the price per share specified in the Notice. Full payment for all the Shares to which the Notice refers shall be made by the Company or its assignee to the Founder by cash.

(iii) If the Shares to which the Notice refers are not elected to be purchased, as provided in subparagraph 5(a)(ii), the Founder may sell the Shares to any person named in the Notice at the price specified in the Notice or at a higher price, provided that such sale or transfer is consummated within 60 days of the date of said Notice to the Company, and provided, further, that any such sale is in accordance with all the terms and conditions hereof. Any sale or transfer after such 60 day period or on terms more favorable to the proposed purchaser or transferee then described in the Notice shall be subject again to this subparagraph 5(a).

(iv) The provisions of this subparagraph 5(a) shall terminate on the earlier of (A) the effective date of a registration statement filed by the Company under the Securities Act of 1933, as amended (the "Securities Act"), with respect to an underwritten public offering of Common Stock of the Company or (B) the closing date of a sale of assets or merger of the Company pursuant to which stockholders of this Company receive securities of a buyer whose shares are publicly traded. The provisions of this subparagraph 5(a) shall not apply to a transfer of any Shares by the Founder, either during his lifetime or on death by will or intestacy to his ancestors, descendants or spouse; provided, in each such case a transferee shall receive and hold such Shares subject to the provisions of this Agreement and there shall be no further transfer of such Shares except in accordance herewith.

(b) Founder agrees in connection with the Company's initial public offering of its equity securities pursuant to a registration statement filed under the Securities Act, not to sell,

make any short sale of, loan, grant any option for the purchase of or otherwise dispose of any Shares without the prior written consent of the Company or its underwriters, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such underwriters; provided, that the officers and directors of the Company who own stock of the Company also agree to such restrictions.

(c) The Company shall not be required (A) to transfer on its books any Shares which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (B) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares shall have been so transferred.

6. Escrow of Shares.

(a) All of the Shares issued under this Agreement shall be held by the Secretary of the Company or his designee (the "Escrow Holder"), along with a stock assignment executed by the Founder in blank, until the expiration in full of the Company's option to repurchase such Shares as set forth above.

(b) The Escrow Holder is hereby directed to permit transfer of the Shares only in accordance with this Agreement or instructions signed by both parties. In the event further instructions are desired by the Escrow Holder, he shall be entitled to rely upon directions executed by a majority of the authorized number of the Company's Board of Directors. The Escrow Holder shall have no liability for any act or omission hereunder while acting in good faith in the exercise of his own judgment.

(c) If the Company or any assignee exercises its repurchase option hereunder, the Escrow Holder, upon receipt of written notice of such option exercise from the proposed transferee, shall take all steps necessary to accomplish such transfer.

(d) When the repurchase option has been exercised or expires unexercised or a portion of the Shares has been released from such repurchase option, upon Founder's request the Escrow Holder shall promptly cause a new certificate to be issued for such released shares and shall deliver such certificates to the Founder.

(e) Subject to the terms hereof, the Founder shall have all the rights of a stockholder with respect to such Shares while they are held in escrow, including without limitation, the right to vote the Shares and receive any cash dividends declared thereon. If, from time to time during the term of the Company's repurchase option, there is (i) any stock dividend, stock split or other change in the Shares, or (ii) any merger or sale of all or substantially all of the assets or other acquisition of the Company, any and all new, substituted or additional securities to which the Founder is entitled by reason of his ownership of the Shares shall be immediately subject to this escrow, deposited with the Escrow Holder and included thereafter as "Shares" for purposes of this Agreement and the Company's repurchase option.

7. Legends. All certificates representing any of the Shares subject to the provisions of this Agreement shall have endorsed thereon legends substantially in the following form:

(a) "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

(b) "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, A REPURCHASE OPTION AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE FOUNDERS STOCK PURCHASE AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND REPURCHASE OPTION ARE BINDING ON TRANSFEREES OF THESE SHARES."

8. Founder's Representations. In connection with the purchase of the Shares and the assignment and transfer of the Business Plan to the Company, Founder hereby represents and warrants to the Company:

(a) Founder has not previously assigned, transferred, conveyed or otherwise encumbered any of his rights, title or interests in the Business Plan. Founder and Mr. Hastings are the exclusive owners of the Business Plan, and no other persons or entities has or shall have any claim of ownership with respect to any part of the Business Plan. To the best of the Founder's knowledge, no persons are infringing any of the intellectual property rights of the Founder in connection with the Business Plan.

(b) Founder represents and warrants that Founder is acquiring or will be acquiring the Shares for investment for Founder's own account, not as a nominee or agent and not with the view to, or for resale in connection with, any distribution thereof. Founder understands that the Shares have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act that depends upon, among other things, the bona fide nature of the investment intent and the accuracy of such Founder's representations as expressed herein. Founder has not been formed for the specific purpose of acquiring the Shares. Founder further understands that the Company shall have no obligation to register the Shares under the Act on behalf of Founder.

(c) Founder is aware of the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain of the conditions specified

by Rule 144, including, among other things: (1) the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (2) the availability of certain public information about the Company, and the amount of securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), if applicable.

In the event that the Company does not qualify under Rule 701, then the securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires among other things: (1) the resale occurring not less than two years after the party has purchased, and made full payment for, within the meaning of Rule 144, the securities to be sold; and, in the case of an affiliate, or of a non-affiliate who has held the securities less than three years, (2) the availability of certain public information about the Company, (3) the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as such term is defined under the Securities Exchange Act of 1934, and (4) the amount of securities being sold during any three month period not exceeding the specified limitations stated therein, if applicable.

(d) Founder further understands that at the time Founder wishes to sell the securities there may be no public market upon which to make such a sale, and that, even if such a public market then exists the Company may not be satisfying the current public information requirements of Rule 144, and that, in such event, Founder would be precluded from selling the securities under Rule 144 even if the two-year minimum holding period had been satisfied.

(e) Founder further understands that in the event all of the applicable requirements of Rule 701 and Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A or some other registration exemption will be required; and that, notwithstanding the fact that Rule 701 and Rule 144 are not exclusive, the staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 701 and Rule 144 will have a substantial burden of proof establishing that an exemption from registration is available for such offers or sales and that such persons and their respective brokers who participate in such transactions do so at their own risk.

9. Tax Consequences. The Founder has reviewed with the Founder's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement (including any tax consequences that may result under recently enacted tax legislation). The Founder is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Founder understands that the Founder (and not the Company) shall be responsible for the Founder's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

10. Miscellaneous.

(a) The parties agree to execute such further instruments and to take such further actions as may reasonably be necessary to carry out the intent of this Agreement.

(b) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by regular or certified mail with postage and fees prepaid, addressed to Founder at his address shown on the Company's employment records and to the Company at the address of its principal corporate offices (attention: President) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

(c) The Company may assign its rights and delegate its duties under this Agreement. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer herein set forth, be binding upon Founder, his heirs, executors, administrators, successors and assigns.

(d) FOUNDER ACKNOWLEDGES AND AGREES THAT THE RELEASE OF SHARES FROM THE REPURCHASE OPTION OF THE COMPANY PURSUANT TO SECTION 4 HEREOF IS EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED OR PURCHASING SHARES HEREUNDER). FOUNDER FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH FOUNDER'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE FOUNDER'S EMPLOYMENT OR CONSULTING RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE.

(e) This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

FOUNDER	COMPANY
Marc B. Randolph	Kibble, Inc. a Delaware corporation
/s/ Marc B. Randolph ----------	/s/ Marc B. Randolph ---------- By: President

The Founder has reviewed the provisions of this Agreement, has had an opportunity to obtain the advice of the Founder's own tax and legal advisors prior to executing this Agreement and fully understands and agrees to the provisions hereof. The Founder understands that the law firm of Wilson, Sonsini, Goodrich & Rosati is acting as counsel to the Company in connection with the transactions contemplated by the Agreement, and is not acting as counsel for the Founder.

FOUNDER

/s/ Marc B. Randolph

EXHIBIT A

DESCRIPTION BUSINESS PLAN

CONSENT OF SPOUSE

I, Lorraine Randolph spouse of Marc Randolph read and approve the foregoing Agreement. In consideration of granting of the right to my spouse to purchase shares of Common Stock of Kibble, Inc. as set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares issued pursuant thereto under the community property laws of the State of California or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: October 8, 1997

/s/ Lorraine K. Randolph
---------- ----------
(Signature of Spouse)

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I, _____, hereby sell, assign and transfer unto _____ shares of the Common Stock of Kibble, Inc. standing in my name on the books of said corporation represented by Certificate No. ___ herewith and do hereby irrevocably constitute and appoint the Secretary of Kibble, Inc. or his designee, to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Stock Purchase Agreement between the corporation and the undersigned dated _____, 199_.

Dated: _____, 199_.

Signature: /s/ Marc B. Randolph

Name : Marc B. Randolph

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I, _____, hereby sell, assign and transfer unto _____ shares of the Common Stock of Kibble, Inc. standing in my name on the books of said corporation represented by Certificate No._ herewith and do hereby irrevocably constitute and appoint the Secretary of Kibble, Inc. or his designee, to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Stock Purchase Agreement between the corporation and the undersigned dated _____, 199_.

Dated: _____, 199_.

Signature: /s/ Reed Hastings

Name: Reed Hastings

NETFLIX, INC.

AMENDMENT NO. 1 TO FOUNDER'S RESTRICTED STOCK PURCHASE AGREEMENT

This Amendment No. 1 (the "Amendment") to the Founder's Restricted Stock Purchase Agreement (the "Agreement") with Marc B. Randolph (the "Founder") is made this 12th day of June 1998 by and between the Founder and Netflix, Inc., a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Company and the Founder have previously entered into the Agreement pursuant to which the Company issued to Founder 2,700,000 shares of Common Stock of the Company (the "Shares") to induce Founder to contribute certain property to the Company; and

WHEREAS, the Company and the Founder desire to amend the Agreement to provide for certain limitations on the acceleration of vesting of the Shares in the event of a change in control.

NOW, THEREFORE, the Founder and the Company agree that the Agreement shall be amended as follows:

1. Section 4 titled "Release of Shares From Repurchase Option" is hereby amended in its entirety to read as follows:

"4. Release of Shares From Repurchase Option.

(a) (i) Twenty-five percent (25%) of the Shares shall be released from the Company's repurchase option exactly one year after the date of execution of this Agreement and one forty-eighth (1/48) of the Shares shall be released each month thereafter, provided in each case that the Founder's Continuous Status with the Company has not terminated prior to the date of any such release.

(ii) With respect to the vesting set forth in Section 4(a)(i) above, in the case of an Acquisition of the Company (as defined below), then the balance of the Shares which have not yet been released from the Company's repurchase option as set forth above shall be released from the Company's repurchase option as follows:

(A) Fifty percent (50%) of the Unreleased Shares (as defined below) shall be released from the Company's repurchase option as of the date of closing of the Acquisition.

(B) Upon consummation of the Acquisition, the remainder of the Unreleased Shares shall continue to vest in accordance with the terms of this Agreement;

provided, however, that if Founder's employment with the Company or the successor corporation, as applicable, is terminated by the successor corporation as a result of an Involuntary Termination (as defined below) other than for Cause (as defined below) within twelve months following an Acquisition, the remainder of all Unreleased Shares shall be released from the Company's repurchase option as of the date of such Involuntary Termination.

For purposes of this Section 4, any of the following events shall constitute an "Involuntary Termination": (i) a significant reduction of the Founder's duties, authority or responsibilities, relative to the Founder's duties, authority or responsibilities as in effect immediately prior to the Acquisition, or the assignment to Founder of such reduced duties, authority or responsibilities; (ii) a substantial reduction of the facilities and perquisites (including office space and location) available to the Founder immediately prior to the Acquisition; (iii) a reduction in the base salary of the Founder as in effect immediately prior to the Acquisition; (iv) a material reduction in the kind or level of employee benefits, including bonuses, to which the Founder was entitled immediately prior to the Acquisition with the result that the Founder's overall benefits package is significantly reduced; (v) the relocation of the Founder to a facility or a location more than fifty (50) miles from the Founder's then present location, without the Founder's express written consent;
(vi) any purported termination of the Founder by the successor corporation which is not effected for disability or for Cause, or any purported termination for which the grounds relied upon are not valid; or (vii) any act or set of facts or circumstances which would, under California law or statute constitute a constructive termination of the Founder.

For purposes of this Section 4, "Cause" shall mean (i) any act of personal dishonesty taken by the Founder in connection with his responsibilities as an employee and intended to result in substantial personal enrichment of the Founder, (ii) the conviction of a felony, (iii) a willful act by the Founder which constitutes gross misconduct and which is injurious to the successor corporation, and (iv) following delivery to the Founder of a written demand for performance from the successor corporation which describes the basis for the successor corporation's belief that the Founder has not substantially performed his duties, continued violations by the Founder of the Founder's obligations to the successor corporation which are demonstrably willful and deliberate on the Founder's part.

For purposes of this Agreement, "Acquisition" shall mean the Company's acquisition by an unaffiliated third party by way of merger after which the stockholders of the Company own less than fifty percent (50%) of the outstanding voting securities of the surviving corporation, or by way of sale by the Company of all or substantially all of its assets or stock.

(b) Any of the Shares which have not yet been released from the Company's repurchase option (and any shares of capital stock or other property exchangeable therefor pursuant to an Acquisition) are referred to herein as "Unreleased Shares."

(c) The Shares which have been released from the Company's repurchase option shall be delivered to the Founder at the Founder's request (see Section 6 hereof).

IN WITNESS WHEREOF, this Amendment has been entered into as of the date first set forth above.

NETFLIX, INC.	*FOUNDER*
By: /s/ Marc Randolph	*/s/ Marc Randolph*
Name: Marc Randolph	
Title: President & Chief Executive Officer	

Exhibit 16.1

April 17, 2000

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We have read the statements made by NetFlix.com, Inc. in its Form S-1, pursuant to item 11 of Form S-1, which we understand will be filed with the Commission on or about April 17, 2000. We agree with the statements concerning our firm in the paragraph under "Change in Independent Public Accounts" in such Form S-1.

Very truly yours,

/s/ PRICEWATERHOUSECOOPERS LLP

EXHIBIT 23.1

REPORT ON SCHEDULE AND CONSENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
NetFlix.com:

The audits referred to in our report dated April 4, 2000, except as to Note 8, which is as of April 13, 2000, included the related financial statement schedule as of December 31, 1999, and for the period from August 29, 1997 (inception) to December 31, 1997, and for each of the years in the two-year period ended December 31, 1999, included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Mountain View, California

April 14, 2000

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	DEC 31 1999
CASH	14,198
SECURITIES	6,322
RECEIVABLES	392
ALLOWANCES	85
INVENTORY	0
CURRENT ASSETS	21,240
PP&E	16,520 [1]
DEPRECIATION	3,326 [2]
TOTAL ASSETS	34,773
CURRENT LIABILITIES	10,212
BONDS	0
PREFERRED MANDATORY	51,819
PREFERRED	4
COMMON	7
OTHER SE	(32,039) [3]
TOTAL LIABILITY AND EQUITY	34,773
SALES	5,006
TOTAL REVENUES	5,006
CGS	4,373
TOTAL COSTS	4,373
OTHER EXPENSES	30,664
LOSS PROVISION	0
INTEREST EXPENSE	738
INCOME PRETAX	(29,845)
INCOME TAX	0
INCOME CONTINUING	(29,845)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(29,845)
EPS BASIC	(5.60)
EPS DILUTED	(5.60)

[1] Includes DVD rental library

[2] Includes DVD rental library depreciation

[3] Includes ADIC, deferred stock based compensation and accumulated deficit

End of Filing