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

FORM S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

Shutterstock, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7389
(Primary Standard Industrial
Classification Code Number)

80-0812659
(I.R.S. Employer
Identification Number)

60 Broad Street, 30th Floor
New York, NY 10004
(646) 419-4452

(Address, including zip code, and telephone number, including area
code, of registrant's principal executive offices)

Jonathan Oringer
Chief Executive Officer
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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
--	---	-------------------------------

- (1) Includes shares of common stock issuable upon exercise of the Underwriters' over-allotment option.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.

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

PROSPECTUS (Subject to Completion)

Issued _____, 2012

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

Shares



COMMON STOCK

Shutterstock, Inc. is offering _____ shares of its common stock and the selling stockholders are offering _____ shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price of our common stock will be between \$ _____ and \$ _____ per share.

We have applied to list our common stock on the New York Stock Exchange under the symbol "SSTK".

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and, as such, will be subject to reduced public company reporting requirements. Investing in our common stock involves risks. See "Risk Factors" section beginning on page 13.

PRICE \$ _____ A SHARE

	<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Shutterstock</u>	<u>Proceeds to Selling Stockholders</u>
Per Share	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____

We and the selling stockholders have granted the underwriters the right to purchase up to _____ additional shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on _____, 2012.

MORGAN STANLEY

DEUTSCHE BANK SECURITIES

JEFFERIES

RBC CAPITAL MARKETS

STIFEL NICOLAUS WEISEL

WILLIAM BLAIR

_____, 2012



shutterstock[™]
A Marketplace for Creativity

How Shutterstock Works

Shutterstock sources high-quality images from contributors, and licenses those images to customers worldwide.



Why **contributors** choose Shutterstock:

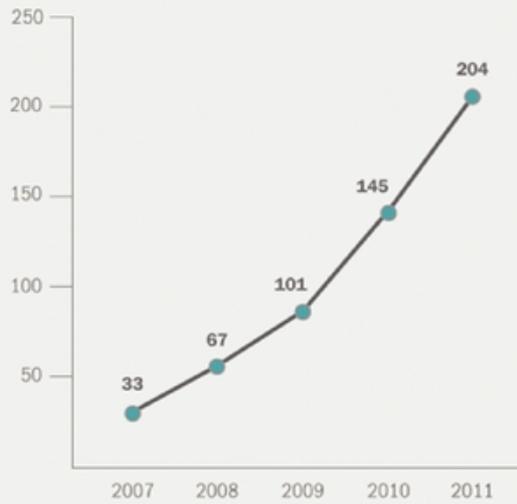
- A global audience of paying customers
- Efficient process for adding images
- Real-time feedback and community

Why **customers** choose Shutterstock:

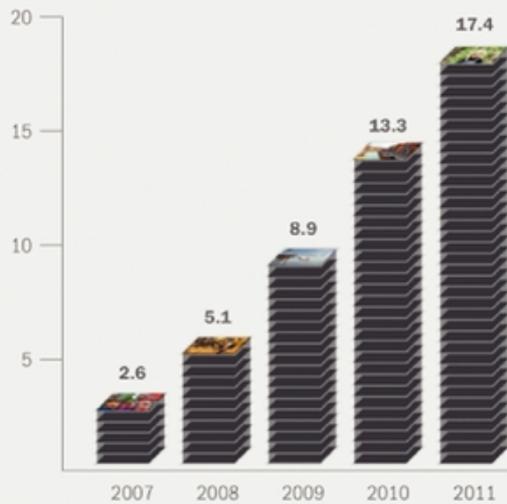
- High-quality, licensed images
- Superior search results
- Simple, affordable pricing

Facts & Figures

Cumulative paid downloads (Millions)



Images in the Shutterstock library (Millions)



10
Languages

150+
Countries With Active Users

10,000+
Images Added Daily

35,000+
Contributors

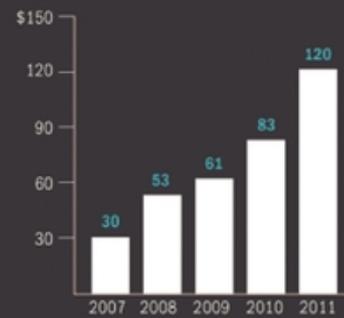
550,000+
Paying Customers

19 Million+
Images

200 Million+
All-Time Paid Downloads

Revenue

(Millions of dollars)



43%
Americas

11%
Asia/Pacific

46%
EMEA



2011 Revenue by Region

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You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with information that is different from that contained in this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our 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. Our business, financial condition, results of operations and prospects may have changed since that date.

Until _____, 2012 (25 days after the commencement of this offering), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and is a brief overview of key aspects of the offering. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes and the information set forth in the sections of this prospectus titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some of the statements in this prospectus constitute forward-looking statements. See the section of this prospectus titled "Special Note Regarding Forward-Looking Statements" for more information.

SHUTTERSTOCK, INC.

Overview

Shutterstock operates an industry-leading global marketplace for commercial digital imagery. Commercial digital imagery consists of licensed photographs, illustrations and videos that companies use in their visual communications, such as websites, digital and print marketing materials, corporate communications, book publications and video content. According to BCC Research, the market for pre-shot commercial digital imagery is expected to exceed \$5 billion in 2013, primarily driven by demand from businesses, marketing agencies and media organizations. There has been a significant increase in the demand for commercial digital images as rapid technological advances have reduced the cost and effort required to create, license and use images. Our global online marketplace brings together users of commercial digital imagery with image creators from around the world. More than 550,000 active, paying users contributed to revenue in 2011, representing an increase of 71% compared to the prior year. More than 35,000 approved contributors make their images available in our library, which has grown to more than 19 million images as of April 30, 2012. This makes our library one of the largest of its kind, and, in the twelve months ended December 31, 2011, we delivered more than 58 million paid downloads to our customers.

Our online marketplace provides a freely searchable library of commercial digital images that our users can pay to license, download and incorporate into their work. We compensate image contributors for each of their images that is downloaded. This marketplace model allows us to offer a disruptive, low-cost and easy-to-use alternative to the time-consuming and expensive traditional methods of obtaining commercial imagery. It enables millions of small and medium-sized businesses, and SMBs, to affordably access commercial digital images, and allows larger enterprises and media agencies to more easily and efficiently satisfy their increasing image needs.

We are the beneficiaries of significant network effects. As we have grown, our broadening audience of paying users has attracted more images from contributors. This increased selection of images has in turn helped to attract more paying users. The success of this network effect is facilitated by the trust that users place in Shutterstock to maintain the integrity of our branded marketplace. Every contributor in our marketplace and every image we make available must pass our proprietary screening process and meet our standards of quality. In addition, and unlike the significant majority of free images available online, our rigorous vetting process enables us to provide confidence and indemnification to our users that the images in our library have been appropriately licensed for commercial or editorial use.

We make image licensing affordable, simple and easy in order to encourage a high volume of purchases and downloads. Our customers' average cost per image in 2011 was less than \$3.00. We are a pioneer of the subscription-based usage model in our industry, whereby subscribers can download and use a large number of images in their creative process without concern for the incremental cost of each download. The majority of our downloads come from subscription-based users, who contributed 59% of our revenue in 2011. We also offer simple and easy-to-use On Demand purchase options for users with less consistent needs. As a result of our simple and affordable licensing models, we believe that we have achieved the highest volume of commercial image downloads of any single brand in our industry. In

addition to driving revenue, this high volume of download activity allows us to continually improve the quality and accuracy of our search algorithms, as well as encourage the creation of new content to meet our users' needs.

Our revenue is diversified and predictable. More than 550,000 customers from more than 150 countries contributed to our revenue in 2011, with no single customer accounting for more than 1% of our revenue. We have historically benefitted from a high degree of revenue retention from both subscription-based and Content Demand customers. For example, in 2009, 2010 and 2011, we retained 82%, 96%, and 102%, respectively, of the prior year's revenue from the same set of customer. Customers typically pay us upfront and then use their downloads in a predictable pattern over time, which results in favorable cash flow characteristics and has historically added predictability and stability to our financial performance.

We have achieved significant growth in the eight years since our company was founded. In 2010 and 2011, we generated revenue of \$83.0 million and \$120.3 million, respectively, representing year-over-year growth of 35.8% and 45.0%, respectively. In 2010 and 2011, we generated Adjusted EBITDA of \$21.8 million and \$26.5 million, respectively, and Free Cash Flow of \$27.6 million and \$36.1 million, respectively. See "Summary Consolidated Historical and Unaudited Pro Forma Financial Data—Non-GAAP Financial Measures." In 2010 and 2011, our net income was \$18.9 million and \$21.9 million, respectively. In 2011, 34% of our revenue came from North America, and 66% came from the rest of the world.

Industry Overview: Commercial Digital Imagery

From the smallest start-ups to the largest multinationals, companies pay to license photographs, videos and illustrations for use in print and digital marketing materials, corporate communications, external and internal websites, social networking sites, mobile applications, games and videos. Imagery is also widely used in publishing books, eBooks, magazines and news articles. The demand for paid imagery in a commercial context comes primarily from:

- *Businesses:* Large corporations, small and medium-sized businesses and sole proprietorships that have marketing, communications and design needs;
- *Marketing Agencies:* Creative service providers such as advertising agencies, media agencies, graphic design firms, web design firms and freelance design professionals; and
- *Media Organizations:* Creators of print and digital content, from large publishers and broadcast companies to professional bloggers.

These businesses require that the images they use be of high quality and that they fulfill the licensing obligations necessary for use in a commercial context. These requirements were historically fulfilled by commissioning images for specific purposes, or licensing pre-shot images from a catalog or database. This typically cost hundreds or thousands of dollars per image, which made licensing imagery affordable only for larger companies with significant marketing or creative budgets.

Rapid technological changes have caused a significant shift in the economics of demand and supply for commercial digital imagery. The rise of digital marketing and increases in the type and frequency of visual communications employed by businesses has caused a dramatic increase in demand for licensed imagery. At the same time, affordable, high-quality cameras and video cameras, as well as high performance photo and video-editing software, are enabling millions of people around the world to create commercial-quality digital imagery at very low cost. Online marketplaces use the disruptive power of the internet to bring these highly fragmented groups together so that businesses of all sizes can quickly search for, find, and download affordable visual content to enhance their communications.

In a report published in October 2008, BCC Research estimated that the market for pre-shot commercial imagery was \$2.7 billion in 2008 and projected to grow to \$5.1 billion by 2013. Within this

market, the "traditional" segment that historically served larger businesses was estimated to grow 5% annually to a total of \$3.1 billion in 2013. In addition, the online marketplace segment, which serves a broader audience by offering more affordable imagery, was estimated to grow 51% annually between 2008 and 2013 to a total of \$2.0 billion in 2013.

Challenges in the Market for Commercial Digital Imagery

Even with the advent of websites capable of sourcing and providing commercial digital imagery, significant challenges remain for users of many online marketplaces, including limited selection, difficulties in finding images quickly, high or complex pricing, poor image quality, and a lack of appropriate licensing and legal protection. At the same time, the creators of commercial digital imagery face obstacles to easily upload, market and distribute their images to a large audience. They also lack tools for discovering the kinds of content that customers demand.

The Shutterstock Solution

Key Benefits for Our Users

- *Millions of commercial-quality images* We provide a licensable digital content library of more than 19 million images and video clips, one of the largest libraries of its kind. We source our content from over 35,000 approved image contributors in more than 125 countries.
- *Superior search results* We consider our proprietary search interface and algorithms to be intuitive and efficient, allowing users with widely ranging search queries to quickly find the most suitable image for their needs. We believe that, with one of the highest volumes of downloads of commercial images, we have the data to power the best search experience in our industry.
- *Low cost of images* Across our pricing plans, customers pay an average of less than \$3.00 per image. We believe that our disruptive pricing models increase the number of businesses that can participate in the market for commercial imagery, and the volume of images that they use.
- *Creative freedom through simple pricing* Our subscription-based pricing model makes the creative process easier. Subscription users can download any image in our library at any resolution we offer for use in their creative process without worrying about incremental cost. For users who need fewer images, we offer simple, affordable, On Demand pricing, which is presented as a flat rate across all images and sizes that we offer.
- *100% vetted, commercial-quality images* Each of our images has been vetted by a member of our review team for standards of quality and relevance. We also leverage proprietary review technology to pre-filter images and enhance the productivity of our reviewers.
- *Appropriately licensed images* Our review process is designed to ensure that every image is appropriately licensed for its intended use. The strength of our review process enables us to offer \$10,000 of indemnification protection to every customer to cover legal costs or damages that may arise from their use of a Shutterstock image. In certain cases, we offer even greater indemnification through custom contracts.

Key Benefits for Our Contributors

- **Distribution to the largest, global audience** In 2011, we received an average of more than 9 million monthly unique visitors and we delivered more than 58 million paid downloads. According to industry surveys, contributors who have images available on our site generate more income through Shutterstock than through any other sites with which they are registered.
- **Global ecommerce capabilities** Our global ecommerce platform allows us to process payments from across the world in eight currencies, and our users can currently transact on our flagship website in ten languages.
- **Efficient uploading, tagging and review process** Based on user feedback and competitive benchmarking, we believe that we have the most efficient upload, tagging and review process of all of the major competitors in our industry.
- **Robust feedback, tools and information** Our contributors can monitor download activity by image and geography, as well as by self-defined image themes. We also provide data on search trends, allowing content creators to see which images and subjects are popular on our site, and to plan new content themes accordingly.
- **Specialized community** We operate a forum for the photographers, videographers and illustrators that make up our contributor community, allowing them to share tips with one another and to showcase their work.

Shutterstock's Competitive Strengths

In addition to the compelling value propositions that we offer to users and contributors, we believe that the following competitive advantages separate us from our competitors:

A Leading Global Marketplace with Strong Network Effects. As of April 30, 2012, our content library is one of the largest in the commercial digital image industry, with over 19 million photographs and illustrations and more than 500,000 video clips, from more than 35,000 contributors. We believe that the growth of our content library and the growth in our site traffic support one another through a strong network effect—a broader selection of images from our contributors attracts more image users; this larger audience of paying users increases the amount spent in our marketplace and attracts more content submissions from a greater number of contributors.

Extensive Data and Superior Search. We believe that we have achieved one of the highest volumes of commercial image downloads of any company in our industry. In 2011 alone, we delivered more than 58 million paid downloads and the number of contributor-generated image tags in our library grew to more than 550 million. This user-generated data, coupled with our investments in technology and our many years of experience in developing search algorithms for our industry have enabled us to create what we believe is the best search experience available.

Simple, Flexible and Low-Cost Pricing. In 2011, our customers' average cost per image was less than \$3.00. Our subscription plans, which we pioneered in the industry, generate an important sense of creative freedom for our professional users. Additionally, we offer simple and cost-effective On Demand purchase options for less frequent users. The simplicity and affordability of these plans have allowed us to broaden our existing and potential user base, and deliver a high volume of paid downloads for our contributors.

Trusted, Actively Managed Marketplace. We are committed to providing a trusted online marketplace for appropriately licensed, high-quality commercial imagery. Our rigorous review process for new images ensures the integrity and quality of content in our library. Each image is individually examined by our team

of trained reviewers to meet our high standards of quality and commercial viability. This review process is designed to minimize the legal risk to our users from inappropriately licensed imagery.

Shutterstock's Growth Strategies

Acquire More Users and Contributors. As of December 31, 2011, our active user base of SMBs represented a very small fraction of the global total of SMB. We view this as a marketing opportunity. Much of our growth to date has been driven by word of mouth recommendations; we plan to continue to foster word of mouth by continuing to grow our library and deliver exceptional service. Additionally, we expect to increase our investments in online and offline marketing to help raise awareness in our core customer and contributor communities as well as in additional market segments and geographies.

Lead Innovation in User and Contributor Experience. With one of the largest collections of images in the industry, and one of the highest volumes of site traffic and commercial image downloads, we believe that we have more information on marketplace and user needs than any of our competitors. We intend to use this advantage to continue to improve the quality of our search algorithms and user experience. We also plan to enhance the tools we offer contributors to help them easily establish their portfolio on our site, track their performance and explore opportunities to create content that customers need.

Increase Localization. We are a global company, with contributors and users in more than 150 countries and a website that is available in ten languages. We plan to deepen our global penetration among users and contributors by improving the quality of the Shutterstock experience, regardless of language or location. There is significant unmet demand for localized content, such as images with locally relevant themes, objects and ethnicities. We plan to increase the geographical diversity of our contributor community so that we can provide the images demanded by our increasingly global user base.

Increase Our Penetration of Media Agencies and Large Enterprises. To date, the majority of our revenue has been generated from small and medium-size businesses purchasing online. In 2011, less than 10% of our revenue was generated through direct sales to large organizations. We believe that we have a strong value proposition for large media agencies and enterprises, which have historically purchased commercial imagery via sales-driven relationships. We are working to increase our revenue from these companies through a direct sales approach and by offering tailored purchase options.

Pursue Emerging Content Types. Alternative content types such as video footage represent significant opportunities for growth. Given the convergence of photography and video tools, we believe that our network effects in still image licensing will help propel our efforts in the video market. In addition to video, we see opportunities in other emerging digital content areas that may be relevant to our customers.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the section of this prospectus titled "Risk Factors," and include but are not limited to:

- our ability to identify, attract and retain customers and contributors to our online marketplace;
- our ability to maintain repeat purchase and subscription revenue;
- our new and rapidly changing market;
- the competitive nature of and anticipated growth in our markets;
- our ability to maintain our competitive position in a highly competitive industry;

- our ability to protect our intellectual property and protect against infringement claims made by third parties; and
- our ability to successfully navigate the risks related to our international operations and expansion.

Company Information

Our principal office is located at 60 Broad Street, 30th Floor, New York, New York 10004, and our telephone number is (646) 419-4452. Our corporate website address is www.shutterstock.com. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it part of this prospectus. We were originally organized in the State of New York as Shutterstock Images LLC in June 2007. Prior to this offering we will reorganize from Shutterstock Images LLC, a New York limited liability company, or the LLC, to Shutterstock, Inc., a Delaware corporation, referred to as the "Reorganization." In this prospectus, "we," "us," "our," "Company" and "Shutterstock" refer to Shutterstock, Inc. and its subsidiaries.

"Shutterstock," "Bigstock" and "Big Stock Photo" are registered trademarks or logos appearing in this prospectus and are the property of Shutterstock, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners.

THE OFFERING

Common stock offered by Shutterstock		shares
Common stock offered by the selling stockholders		shares
Total common stock offered (excluding over-allotment option)		shares

Over-allotment
option to be
offered by us and
the selling
stockholders

shares

Common stock to be
outstanding after
this offering

shares (shares if the over-allotment option is exercised in full)

Use of proceeds We intend to use the net proceeds from this offering for general corporate purposes, including capital expenditures and working capital. In addition, we may use all or a portion of the net proceeds to acquire or invest in complementary companies, products or technologies, although we currently do not have any acquisitions or investments planned. We will not receive any proceeds from the sale of shares sold by the selling stockholders. See "Use of Proceeds" for additional information.

Risk factors See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

**Proposed NYSE
symbol** "SSTK"

The number of shares of our common stock to be outstanding following this offering is based on 28,665,250 shares of our common stock outstanding as of December 31, 2011, after giving effect to our reorganization from a New York limited liability company to a Delaware corporation, as described more fully under "Reorganization," and excludes:

- 1,334,750 shares of our common stock issuable upon the exercise of options outstanding as of December 31, 2011 at a weighted average exercise price of \$15.10 per share;
- shares of our common stock reserved for future grant or issuance under our 2012 Omnibus Equity Incentive Plan, which will become effective on or prior to the completion of this offering; and
- shares of our common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan, which will become effective upon the completion of this offering.

Except as otherwise indicated, information in this prospectus reflects or assumes the following:

- our reorganization from a New York limited liability company to a Delaware corporation, which will occur prior to this offering, as described under "Reorganization";
- no exercise of options outstanding as of December 31, 2011; and
- no exercise by the underwriters of their option to purchase additional shares of our common stock.

SUMMARY CONSOLIDATED HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL DATA

The following tables summarize our consolidated financial and other data for the periods ended and as of the dates indicated. We derived the consolidated statements of operations data for each of the years ended December 31, 2009, 2010 and 2011 and the consolidated balance sheet data as of December 31, 2011 from our audited consolidated financial statements and related notes included elsewhere in this prospectus. Our historic results are not necessarily indicative of the results that may be expected in the future. You should read this data together with our consolidated financial statements and related notes, "Capitalization," "Selected Consolidated Financial Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

We derived the unaudited pro forma data as of and for the year ended December 31, 2011 from the pro forma data provided in "Unaudited Pro Forma Consolidated Financial Statements" included elsewhere in this prospectus. The pro forma unaudited consolidated statements of operations data and the pro forma unaudited balance sheet data were prepared as if the reorganization transactions described in "Reorganization" had taken place on January 1, 2011 and as of December 31, 2011, respectively.

The adjustments to the pro forma statements of operations data and the pro forma balance sheet data give effect to our corporate reorganization and related transactions as described in "Reorganization," based on an assumed initial public offering price of \$ _____ per share (the midpoint of the price range set forth on the cover page of this prospectus), including:

- the reclassification of the balances of all common and preferred members' interests to common stock;
- the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock;
- the recognition of deferred tax assets and liabilities at an assumed combined federal, state and city income tax rate of _____ %;
- the distributions to be made to members prior to the Reorganization;
- the recognition of a compensation expense associated with the vesting of equity awards; and
- a provision for income taxes as a corporation at an assumed combined federal, state and city income tax rate of _____ % of our pre-tax net income. The actual combined tax rate will depend on many factors and may be higher or lower than this assumed rate.

	Year Ended December 31,			
	2009	2010	2011	2011 Pro forma
(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:				
Revenue	\$ 61,099	\$ 82,973	\$ 120,271	\$
Operating expenses:				
Cost of revenue	21,826	32,353	45,504	
Sales and marketing	10,949	17,820	31,929	
Research and development	2,361	4,591	9,777	
General and administrative ⁽¹⁾	6,217	8,414	10,171	
Total operating expenses	41,353	63,178	97,381	
Income from operations	19,746	19,795	22,890	
Interest income	5	19	10	
Income before income taxes	19,751	19,814	22,900	
Provision for income taxes ⁽²⁾	909	876	1,036	
Net income	\$ 18,842	\$ 18,938	\$ 21,864	\$
Pro forma net income per share of common stock ⁽³⁾ :				
Basic (unaudited)				\$
Diluted (unaudited)				\$
Pro forma weighted average shares used in computing net income per share of common stock ⁽³⁾ :				
Basic (unaudited)				
Diluted (unaudited)				

(1) Includes non-cash equity-based compensation of \$1,833, \$1,114, \$2,122 and \$ for the years ended December 31, 2009, 2010, 2011 and 2011 Pro Forma, respectively.

(2) For 2009, 2010 and 2011, we operated as a New York limited liability company for federal and state income tax purposes, taxed as a partnership, and therefore were not subject to federal and state income taxes. Following the Reorganization, we will become subject to income taxes. The 2011 pro forma provision for income taxes assumes a combined federal, state and city income tax rate of %. The actual combined tax rate will depend on many factors and may be higher or lower than the assumed rate.

(3) The pro forma basic net income per share of common stock reflects: (i) the reclassification of all common and preferred members' interests to shares of common stock, (ii) issuance of shares of common stock upon the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock, and the acceleration of 50% of the unvested profits interest award granted to the executive officer, (iii) issuance of shares of common stock resulting from the vesting of equity awards to our key employees in connection with the Reorganization and (iv) additional shares of common stock from this offering, which will be required to pay the portion of distributions that exceeded earnings for the previous twelve months. The pro forma diluted net income per share of common stock reflects the dilution resulting from the issuance of additional shares of common stock arising from assumed exercise of options and potentially dilutive restricted shares of common stock.

	Year Ended December 31,		
	2009	2010	2011
Other Financial and Operational Data:			
Adjusted EBITDA (in thousands) ⁽¹⁾	\$ 21,983	\$ 21,783	\$ 26,532
Free cash flow (in thousands) ⁽²⁾	\$ 26,399	\$ 27,591	\$ 36,095
Paid downloads (in millions) (during period) ⁽³⁾	34.0	44.1	58.6
Revenue per download (during period) ⁽⁴⁾	\$ 1.80	\$ 1.88	\$ 2.05
Images in our library (in millions) (end of period) ⁽⁵⁾	8.9	13.3	17.4

(1) See "—Non-GAAP Financial Measures" below as to how we define and calculate Adjusted EBITDA and for a reconciliation between Adjusted EBITDA and net income, the most directly comparable GAAP financial measure and a discussion about the limitations of Adjusted EBITDA.

(2) See "—Non-GAAP Financial Measures" below as to how we define and calculate Free Cash Flow and for a reconciliation between Free Cash Flow and net cash provided by operating activities, the most directly comparable GAAP financial measure and a discussion about the limitations of Free Cash Flow.

(3) Paid downloads is the number of paid image downloads that our customers make during a given period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Paid Downloads" for more information as to how we define and calculate paid downloads.

(4) Revenue per download is the amount of revenue recognized in a given period divided by the number of paid downloads in that period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Revenue per Download" for more information as to how we define and calculate paid revenue per download.

(5) Images in our library is the total number of photographs, vectors and illustrations available on shutterstock.com to customers at the end of the period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Images in our Library" for more information as to how we define and calculate paid images in our library.

	As of December 31, 2011		
	Actual	Pro forma ⁽¹⁾ (in thousands) (unaudited)	Pro forma as adjusted ⁽²⁾
Consolidated Balance Sheet Data:			
Cash and cash equivalents	\$ 14,097	\$	\$
Working capital (deficit)	(28,436)		
Property and equipment, net	3,844		
Total assets	24,855		
Deferred revenue	28,451		
Total liabilities	49,058		
Redeemable preferred members' interest	33,725		
Common members' interest	5,699		
Total stockholders' equity	—		
Total members' interest (deficit)	(57,928)		

(1) Presented on a pro forma basis to give effect to: (i) the reclassification of all common and preferred members' interests to shares of common stock; (ii) the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock; (iii) deferred tax assets and liabilities at an assumed combined federal, state, and city tax rate of 35%; and (iv) distributions to be made to members prior to the Reorganization; and (v) a one-time compensation expense associated with the vesting of equity awards.

(2) Presented on a pro forma as adjusted basis to give effect to: (i) the adjustments described in note (1) above, (ii) the sale of shares of common stock by us in this offering at an assumed initial public offering price of \$ 10.00 per share, the midpoint of the price range set forth on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering; and (iii) reclassification of deferred offering costs from working capital and total assets to additional paid-in capital.

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed within this prospectus Adjusted EBITDA, a non-GAAP financial measure. We define Adjusted EBITDA as income from operations before depreciation and amortization, non-cash equity-based compensation, interest and taxes. We believe Adjusted EBITDA is an important measure of operating performance because it allows management, investors and others to evaluate and compare our core operating results from period to period by removing the impact of our asset base (depreciation and amortization), non-cash equity-based compensation, interest and taxes.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP as the excluded items may have significant effects on our operating results and financial condition. When evaluating our performance you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results. Additionally, our Adjusted EBITDA measure may differ from other companies' Adjusted EBITDA as it is a non-GAAP disclosure.

The following is a reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP measure:

	Year Ended December 31,		
	2009	2010	2011
Net income	\$ 18,842	\$ 18,938	\$ 21,864
Non-GAAP adjustments:			
Depreciation and amortization	404	874	1,520
Non-cash equity-based compensation	1,833	1,114	2,122
Interest (income)	(5)	(19)	(10)
Provision for income taxes	909	876	1,036
Adjusted EBITDA	\$ 21,983	\$ 21,783	\$ 26,532

Free Cash Flow

To provide investors with additional information regarding our financial results, we have disclosed within this prospectus Free Cash Flow, a non-GAAP financial measure. We define Free Cash Flow as our cash provided by operating activities, adjusted to exclude cash interest income, and subtracting capital expenditures. We believe that Free Cash Flow is an important measure of liquidity because it allows management, investors and others to evaluate the cash that we generate after the financing of projects required to maintain or expand our asset base. When evaluating our performance, you should consider Free Cash Flow alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results. Additionally, our Free Cash Flow measure may differ from other companies' Free Cash Flow as it is a non-GAAP disclosure.

The following is a reconciliation of Free Cash Flow to net cash provided by operating activities, the most directly comparable GAAP measure:

	Year Ended December 31,		
	2009	2010	2011
Net cash provided by operating activities	\$ 27,151	\$ 28,726	\$ 39,547
Interest income	5	19	10
Capital expenditures	(747)	(1,116)	(3,442)
Free cash flow	<u>\$ 26,399</u>	<u>\$ 27,591</u>	<u>\$ 36,095</u>

RISK FACTORS

This offering and an investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with the financial and other information contained in this prospectus, before deciding whether to invest in shares of our common stock. If any of the following risks actually occur, our business, financial condition or operating results could be materially adversely affected. This could cause the trading price of our common stock to decline, and you may lose part or all of your investment.

Risks Relating to Our Business and Industry

The success of our business depends on our ability to continue to attract customers and contributors to our online marketplace for commercial digital imagery.

The success of our business and our future growth depends significantly on our ability to continue to attract and retain new customers and contributors to our online marketplace for commercial digital imagery. To maintain and increase our revenue, we must regularly add new customers and retain our existing customers. An increase in paying customers has generally attracted more images from contributors, which increases our content selection and in turn attracts additional paying customers. To attract new customers and contributors and retain existing customers and contributors, we rely heavily on the effectiveness of our marketing efforts, the size and content of our image library and the functionality and features of our marketplace. Our marketing efforts may be unsuccessful, our image library may fail to grow as anticipated and new technologies may render the systems and features of our marketplace obsolete, any of which would adversely affect our results of operations and future growth prospects.

Our business depends in large part on repeat customer purchases and subscription revenue. If customers reduce or cease their spending with us, or if content contributors reduce or end their participation in our marketplace, our business will be harmed.

The majority of our revenue is derived from customers who have purchased with us in the past. As a result, our future performance largely depends on our ability to motivate our customers to continue to purchase from us. A key factor in creating such an incentive is our ability to provide customers with the images they seek and to refresh and grow our library of digital imagery based on current and future trends. We seek to achieve these goals by attracting new contributors to our marketplace and by retaining our existing contributors. If we are unable to attract new contributors, retain existing contributors or add new imagery to our online marketplace, or if we fail to do so in a timely manner, customers requiring new and up-to-date content may reduce their spending with us. Another key factor in retaining our existing customers is our ability to deliver a user experience that continues to meet customers' needs, including the quality and accuracy of our search algorithms. If we are unable to maintain or improve upon the user experience that we deliver customers in a way that motivates our customers to continue to purchase from us, our business would be harmed.

We operate in a new and rapidly changing market, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

The market for commercial digital imagery is a relatively new and rapidly changing market that may not develop as expected. Our business strategy and projections rely on a number of assumptions about the market for commercial digital imagery, including the size and projected growth of the market over the next several years. Some or all of these assumptions may be incorrect. The market for online commercial digital imagery may not develop as we expect or we may fail to address the needs of this market.

The limited history of the market in which we operate makes it difficult to effectively assess our future prospects, and you should consider our business and prospects in light of the risks and difficulties we encounter in this evolving market. These risks and difficulties include our ability to:

- attract new customers and retain existing customers;

- offer customers the kinds of images they are seeking;
- successfully compete with other companies that are currently in, or may in the future enter, the commercial digital imagery marketplace;
- protect against the misuse of our imagery;
- raise awareness of our online community and brand name;
- successfully expand our business;
- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased customer and contributor usage globally, as well as the deployment of new features and services; and
- avoid interruptions or disruptions in our services.

We may not be able to successfully address these risks and difficulties or others, including those described elsewhere in these risk factors. We cannot accurately predict whether our products and services will achieve significant acceptance by potential customers in significantly larger numbers than at present. You should therefore not rely on our historic growth rates as an indication of future growth.

We face intense competition from a range of competitors and may be unsuccessful in competing against current and future competitors.

The commercial digital imagery industry is intensely competitive. Competition may result in loss of market share, pricing pressures or reduced profit margins, any of which could substantially harm our business and results of operations. We compete with a wide array of companies, from significant media companies to individual imagery creators, to provide commercial digital imagery to users of such imagery. These competitors include:

- other online marketplaces for imagery such as iStockphoto, Fotolia and Dreamstime;
- traditional stock content providers such as Getty Images and Corbis Corporation;
- specialized visual content companies that are established in local, content or product-specific market segments such as Reuters Group PLC, the Associated Press and Thought Equity Motion;
- websites focused on image search and discovery such as Google Images;
- websites for image hosting, art and related products such as Flickr;
- social networking and social media services such as Facebook; and
- commissioned photographers and photography agencies.

We believe that the principal competitive factors in the commercial digital imagery industry are: brand awareness; company reputation; the quality, relevance and diversity of images; the quality of the contributing image creators; effective use of current and emerging technology; accessibility of imagery, distribution capability, and speed and ease of search and fulfillment; customer service; and the global nature of a company's interfaces and marketing efforts, including local languages, currencies, and payment methods. In addition, demand for our services is sensitive to price. Many external factors, including our technology and personnel costs and our competitors' pricing and marketing strategies, could significantly impact our pricing strategies. If we fail to meet our customers' price expectations, we could lose customers. A drop in our prices without a corresponding increase in volume would negatively impact our revenues.

Some of our existing and potential competitors have or may obtain significantly greater financial, marketing or other resources or greater brand awareness than we have. Some of these competitors may be able to respond more quickly to new or expanding technology and devote more resources to the development or promotion of their products and services than we can. In addition, possible new entrants into the commercial digital imagery industry could increase if technological advances or other market dynamics make creating, sourcing, archiving, indexing, reviewing, searching or delivering commercial

digital images easier or more affordable. Larger, more established and better capitalized entities may acquire, invest in or partner with our competitors or leverage their own image-related competencies to enter our market. We may also face competition from new entrants that are well funded and that may choose to prioritize increasing their market share and brand awareness over profitability. Competitors and new entrants may also seek to develop new products, technologies or capabilities that could render obsolete or less competitive many of the products, services and content types that we offer. If we are unable to compete successfully against existing and new competitors, our growth prospects and results of operations may be adversely affected.

We may not be able to prevent the misuse of our imagery and we may be subject to infringement claims.

We rely on intellectual property laws and contractual restrictions to protect our rights and the imagery in our library. Certain countries are very lax in enforcing intellectual property laws. Litigation in those countries will likely be costly and ineffective. Consequently, these intellectual property laws afford us only limited protection. Unauthorized parties have attempted, and may attempt, to improperly use our licensed digital imagery. We cannot guarantee that we will be able to prevent the unauthorized use of our digital imagery or that we will be successful in stopping such use once it is detected.

We have been subject to a variety of third-party infringement claims in the past and will likely be subject to similar claims in the future. We license all of our digital imagery from photographers, illustrators and videographers, and, although we have staff committed to reviewing each image that we accept into our library, we cannot guarantee that each contributor holds the rights or releases he or she claims or that such rights and releases are adequate. As a result, we may be subject to infringement claims or other claims by third parties. Furthermore, we offer our customers indemnification of up to \$10,000 for legal costs and direct damages arising from the use of an image or video footage licensed through us. We also offer some of our customers custom contracts that either provide for larger indemnification amounts or unlimited indemnification. However, our contractual maximum liability may not be enforceable in all jurisdictions. Although we have insurance to cover indemnification claims, and although, to date, these claims have not resulted in any material liability to us, we have incurred, and will continue to incur, expenses related to such claims and related settlements, which may increase over time.

If a third-party infringement claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage, our business could suffer. In addition, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against all losses. Any claims against us, regardless of their merit, could severely harm our financial condition and reputation, strain our management and financial resources, and adversely affect our business.

Assertions by third parties of infringement or other violations by us of intellectual property rights could result in significant costs and substantially harm our business and operating results.

Internet, technology and media companies are frequently subject to litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights or rights related to their use of technology. Some internet, technology and media companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us. Third parties may in the future assert that we have infringed, misappropriated or otherwise violated their intellectual property rights, and as we face increasing competition, the possibility of intellectual property rights claims against us grows. Such litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence to these patent owners in bringing intellectual property rights claims against us. Existing laws and regulations are evolving and subject to different interpretations, and various federal and state legislative or regulatory bodies may expand current or enact new laws or regulations. We cannot assure you that we are not infringing or violating any third-party intellectual property rights or rights related to use of technology.

We cannot predict whether assertions of third-party intellectual property rights or any infringement or misappropriation or other claims arising from such assertions will substantially harm our business and operating results. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property; cease making, licensing or using content that is alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our technology; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; and to indemnify our partners and other third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. In addition, any lawsuits regarding intellectual property rights, regardless of their success, could be expensive to resolve and would divert the time and attention of our management and technical personnel.

Unless we increase market awareness of our company and our services, our revenue may not continue to grow.

We believe that our ability to attract and retain new customers and contributors depends in large part on our ability to increase our brand awareness within our industry. In order to increase the number of our customers and contributors, we may be required to expend greater resources on advertising, marketing, and other brand-building efforts to preserve and enhance customer and contributor awareness of our brand. Currently, a significant portion of our marketing spending consists of search engine marketing, which exposes us to risk in the event that one or more large search engines were to reconfigure their algorithms in such a way that would result in less business for us.

Our marketing campaigns or other efforts to increase our brand awareness may not succeed in bringing new visitors to our online marketplace or converting such visitors to paying customers or contributors and may not be cost-effective. Our brand may be impaired by a number of other factors, including disruptions in service due to technology issues, data privacy and security issues, and exploitation of our trademarks and other intellectual property by others without our permission.

We have experienced rapid growth in recent periods. If we fail to effectively manage our growth, our business and operating results may suffer.

We have experienced, and expect to continue to experience, significant growth, which has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure. We expect that our growth strategy will require us to commit substantial financial, operational and technical resources. Continued growth could also strain our ability to maintain reliable operation of our online marketplaces for our customers and contributors, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. As our operations grow in size, scope and complexity, we will need to improve and upgrade our systems and infrastructure, which will require significant expenditures and allocation of valuable management resources. If we fail to allocate limited resources effectively in our organization as it grows, our business, operating results and financial condition will suffer.

One of our strategic goals is to generate a larger percentage of our revenue from larger companies, which may place greater demands on us in terms of increased service, indemnification or working capital requirements, any of which could increase our costs or substantially harm our business and operating results.

One of our strategic goals is to increase the percentage of our revenues that come from larger companies, in addition to the small and medium-size companies from whom we have generated the majority of our revenue historically. In order to win the business of larger companies, we may face greater demands in terms of increased service requirements, greater indemnification requirements, greater pricing

pressure, and greater working capital to accommodate the larger receivables and collections issues that are likely to occur as a result of being paid on credit terms. If we are unable to adequately address those demands, it may affect our ability to grow our business in this segment, which may adversely affect our results of operations and future growth. If we address those demands in a way that expands our risk of infringement claims, significantly increases our operating costs, reduces our ability to maintain or increase pricing, or increases our working capital requirements, our business, operating results and financial condition may suffer.

Continuing expansion into international markets is important for our growth, and as we continue to expand internationally, we face additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs or otherwise limit our growth.

Continuing to expand our business to attract customers and contributors in countries other than the United States is a critical element of our business strategy. In 2011, approximately 66% of our revenue was derived from customers located outside of North America. While a significant portion of our customers reside outside of the United States, we have a limited operating history as a company outside the United States. We expect to continue to devote significant resources to international expansion through establishing additional offices, hiring additional overseas personnel and exploring acquisition opportunities. In addition, we expect to increase marketing for our foreign language offerings and to further localize our library and user experience for foreign markets. Our ability to expand our business and to attract talented employees, and customers and contributors in an increasing number of international markets requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding our international focus may subject us to risks that we have not faced before or increase risks that we currently face, including risks associated with:

- modifying our technology and marketing our offerings for customers and contributors beyond the 10 languages we currently offer;
- localizing our content to foreign customers' preferences and customs;
- legal, political or systemic restrictions on the ability of U.S. companies to do business in foreign countries, including, among others, restrictions imposed by the U.S. Office of Foreign Assets Control (OFAC) on the ability of U.S. companies to do business in certain specified foreign countries or with certain specified organizations and individuals;
- compliance with foreign laws and regulations, including disclosure requirements, privacy laws, rights of publicity, technology laws and laws relating to content;
- protecting and enforcing our intellectual property rights;
- recruiting and retaining talented and capable management and employees in foreign countries;
- potential adverse foreign tax consequences;
- strains on our financial and other systems to properly administer VAT, withholdings and other taxes;
- currency exchange fluctuations;
- remedying the material weakness in our internal control over financial reporting relating to tax compliance; and
- higher costs associated with doing business internationally.

These risks may make it impossible or prohibitively expensive to expand to new international markets, or delay entry into such markets, which may affect our ability to grow our business.

Following our Reorganization, we will be subject to entity-level taxation, which will result in significantly greater income tax expense than we have incurred historically.

Historically, we have operated as a New York limited liability company. As a limited liability company, we recognize no federal and state income taxes, as the members of the LLC, and not the entity itself, are subject to income tax on their allocated share of our earnings. Prior to this offering, we will reorganize as a Delaware corporation. Consequently, on a going-forward basis, we will be subject to entity-level taxation even though historically Shutterstock Images LLC has not had to pay U.S. federal or state income taxes. As a result, our corporate income tax rate will increase significantly as we become subject to federal, state and additional city income taxes.

Our operations may expose us to greater than anticipated income tax liabilities, which could harm our financial condition and results of operations.

We plan to structure our activities in a manner so as to minimize our tax liabilities. However, we have operations in various taxing jurisdictions in the United States and foreign countries, and there is a risk that our tax liabilities in one or more jurisdictions could be more than reported relative to prior taxable periods and more than anticipated relative to future taxable periods.

In addition, the determination of our worldwide provision for income taxes, tax withholdings and other tax liabilities requires significant judgment and there are many transactions and calculations for which the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, our ultimate tax liability may differ from the amounts recorded in our financial statements and may materially adversely affect our financial results in the period or periods for which such determination is made. We have created reserves with respect to such tax liabilities where we believe it to be appropriate. However, there can be no assurance that our ultimate tax liability will not exceed the reserves that we have created.

Furthermore, the current administration of the U.S. federal government has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed changes to U.S. tax laws. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as other changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to the large and expanding scale of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

Our operations may expose us to greater than anticipated sales and transaction tax liabilities, including VAT, which could harm our financial condition and results of operations.

We may have exposure to sales or other transaction taxes (including VAT) on our past and future transactions. A successful assertion by any state or local jurisdiction or country that we failed to pay such sales or other transaction taxes, or the imposition of new laws requiring the payment of such taxes, could result in substantial tax liabilities related to past sales, create increased administrative burdens or costs, discourage customers from purchasing images from us, or otherwise substantially harm our business and results of operations. See also "—Risks Related to This Offering and Ownership of Our Common Stock—We currently have a material weakness in our internal control over financial reporting relating to compliance with certain tax regulations that, if not properly remediated, could impair our ability to comply with the accounting and reporting requirements applicable to public companies."

If we do not respond to technological changes or upgrade our website and technology systems, our growth prospects and results of operations could be adversely affected.

To remain competitive, we must continue to enhance and improve the functionality and features of our websites in addition to our infrastructure. Although we currently do not have specific plans for any infrastructure upgrades that would require significant capital investment outside of the normal course of

business, in the future we will need to improve and upgrade our technology, database systems and network infrastructure in order to allow our business to grow in both size and scope. Without such improvements, our operations might suffer from unanticipated system disruptions, slow application performance or unreliable service levels, any of which could negatively affect our reputation and ability to attract and retain customers and contributors. Furthermore, in order to continue to attract and retain new customers, we are likely to incur expenses in connection with continuously updating and improving our user interface and experience. We may face significant delays in introducing new services, products and enhancements. If competitors introduce new products and services using new technologies or if new industry standards and practices emerge, our existing websites and our proprietary technology and systems may become obsolete or less competitive, and our business may be harmed. In addition, the expansion and improvement of our systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance that our business will improve.

Technological interruptions that impair access to our websites or the efficiency of our marketplace would damage our reputation and brand and adversely affect our results of operations.

The satisfactory performance, reliability and availability of our websites and our network infrastructure are critical to our reputation, our ability to attract and retain both customers and contributors to our online marketplace and our ability to maintain adequate customer service levels. Any system interruptions that result in the unavailability of our websites could result in negative publicity, damage our reputation and brand or adversely affect our results of operations. We may experience temporary system interruptions for a variety of reasons, including security breaches and other security incidents, viruses, telecommunication and other network failures, power failures, software errors, data corruption or an overwhelming number of visitors trying to reach our websites during periods of strong demand. We rely upon third-party service providers, such as co-location and cloud service providers, for our data centers and application hosting, and we are dependent on these third parties to provide continuous power, cooling, internet connectivity and physical security for our servers. In the event that these third-party providers experience any interruption in operations or cease business for any reason, or if we are unable to agree on satisfactory terms for continued hosting relationships, our business could be harmed and we could be forced to enter into a relationship with other service providers or assume hosting responsibilities ourselves. Although we operate two data centers in an active/standby configuration for geographic and vendor redundancy and even though we maintain a third disaster recovery facility to back up our content library, a system disruption at the active data center could result in a noticeable disruption to our websites until all website traffic is redirected to the standby data center. Even a disruption as brief as a few minutes could have a negative impact on marketplace activities and could therefore result in a loss of revenue. Because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all. In addition, we have entered into service level agreements with some of our larger customers. Technological interruptions could result in a breach of such agreements and subject us to considerable penalties.

Failure to protect our intellectual property could substantially harm our business and operating results.

The success of our business depends on our ability to protect and enforce our patents, trade secrets, trademarks, copyright and all of our other intellectual property rights, including our intellectual property rights underlying our online marketplace and search algorithms. We attempt to protect our intellectual property under trade secret, trademark, copyright and patent law, and through a combination of employee and third-party nondisclosure agreements, other contractual restrictions, and other methods. These afford only limited protection. Despite our efforts to protect our intellectual property rights and trade secrets, unauthorized parties may attempt to copy aspects of our intellectual property and use our trade secrets and other confidential information. Moreover, policing our intellectual property rights is difficult, costly and may not always be effective. To the extent these unauthorized parties, which may include our competitors, are successful in copying aspects of our search algorithms and our trade secrets, our business could be harmed.

We have registered "Shutterstock," "Bigstock" and other marks as trademarks in the United States. Nevertheless, competitors may adopt service names similar to ours, or purchase our trademarks and confusingly similar terms as keywords in internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly leading to confusion among our customers. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term Shutterstock or our other trademarks. Any claims or customer confusion related to our trademarks could damage our reputation and brand and substantially harm our business and operating results.

We currently own the www.shutterstock.com internet domain name and various other related domain names. Domain names are generally regulated by internet regulatory bodies. If we lose the ability to use a domain name in a particular country, we would be forced either to incur significant additional expenses to market our products within that country or to elect not to sell products in that country. Either result could harm our business and operating results. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize our brand names in the United States or other countries in which we conduct business or in which we may conduct business in the future.

In order to protect our trade secrets and other confidential information, we rely in part on confidentiality agreements with our employees, consultants and third parties with whom we have relationships. These agreements may not effectively prevent disclosure of trade secrets and other confidential information and may not provide an adequate remedy in the event of misappropriation of trade secrets or any unauthorized disclosure of trade secrets and other confidential information. In addition, others may independently discover our trade secrets and confidential information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce or determine the scope of our trade secret rights and related confidentiality and nondisclosure provisions. Failure to obtain or maintain trade secret protection, or our competitors' acquisition of our trade secrets or independent development of unpatented technology similar to ours or competing technologies, could adversely affect our competitive business position.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and foreign countries may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trademarks, trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Furthermore, the monitoring and protection of our intellectual property rights may become more difficult, costly and time consuming as we continue to expand internationally, particularly in those markets, such as China and certain other developing countries in Asia, in which legal protection of intellectual property rights is less robust than in the United States and in Europe. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and management time, each of which could substantially harm our operating results.

Much of the software and technologies used to provide our services incorporate, or have been developed with, "open source" software, which may restrict how we use or distribute our services or require that we publicly release certain portions of our source code.

Much of the software and technologies used to provide our services incorporate, or have been developed with, "open source" software. Such "open source" software may be subject to third party licenses that impose restrictions on our software and services. Examples of "open source" licenses include the GNU General Public License and GNU Lesser General Public License. Such open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Few courts have interpreted open source licenses, and the manner in which these licenses may be

interpreted and enforced is therefore subject to some uncertainty. We rely on multiple software engineers to design our proprietary technologies, and we do not exercise complete control over the development efforts of our engineers. In the event that portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our services and technologies and materially and adversely affect our ability to sustain and grow our business.

Our operating results may fluctuate, which could cause our results to fall short of expectations and our stock price to decline.

Our revenue and operating results could vary significantly from quarter to quarter and year to year due to a variety of factors, many of which are outside our control. As a result, comparing our operating results on a period to period basis may not be meaningful. In addition to other risk factors discussed in this "Risk Factors" section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to retain our current customers and to attract new customers and contributors;
- our ability to provide new and relevant imagery to our customers;
- our ability to effectively manage our growth;
- the effects of increased competition on our business;
- our ability to keep pace with changes in technology or our competitors;
- changes in our pricing policies or the pricing policies of our competitors;
- interruptions in service, whether or not we are responsible for such interruptions, and any related impact on our reputation and brand;
- costs associated with defending any litigation or other claims, including those related to our indemnification of our customers;
- our ability to pursue, and the timing of, entry into new geographies or markets and, if pursued, our management of this expansion;
- the impact of general economic conditions on our revenue and expenses;
- seasonality;
- changes in government regulation affecting our business; and
- costs related to potential acquisitions of technology or businesses.

Because of these risks and others, it is possible that our future results may be below our expectations and the expectations of analysts and investors. In such an event, the price of our common stock may decline significantly.

Our failure to protect the confidential information of our customers and our networks against security breaches and the risks associated with credit card fraud could expose us to liability, protracted and costly litigation and damage our reputation.

We collect limited confidential information in connection with registering customers and contributors and other marketplace-related processes on our websites and, in particular, in connection with processing and remitting payments to and from our customers and contributors. Although we maintain security features on our websites, our security measures may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our websites. We rely on encryption and authentication technology licensed

from third parties to provide the security and authentication to effectively secure transmission of the confidential information that we process for our customers, and such technology may fail to function properly or may be compromised or breached. Additionally, as described above, we use third-party co-location and cloud service vendors for our data centers and application hosting, and their security measures may not prevent security breaches and other disruptions that may jeopardize the security of information stored in and transmitted through their systems. A party that is able to circumvent our security measures could misappropriate proprietary information, cause interruption in our operations, damage or misuse our websites, distribute or delete content owned by our contributors, and misuse the information that they misappropriate. Additionally, our systems may be breached by third parties without our being aware that our systems or data have been compromised. We may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. In addition, a significant cybersecurity breach could result in payment networks prohibiting us from processing transactions on their networks. Security and fraud-related issues are likely to become more challenging as we expand our operations.

Furthermore, some of the software and services that we use to operate our business, including our internal email and customer relationship management software, are hosted by third parties. If these services were to be interrupted or were to cause us to lose control of confidential information, our business operations could be disrupted and we could be exposed to liability and costly litigation.

Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder's signature. We do not currently carry insurance against this risk. To date, we have experienced minimal losses from credit card fraud, but we continue to face the risk of significant losses from this type of fraud.

If any compromise of our security were to occur, we may lose customers and our reputation, business, financial condition and operating results could be harmed. Any compromise of security may result in us being out of compliance with U.S. federal and state, and international laws and we may be subject to lawsuits, fines, criminal penalties, statutory damages, and other costs. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other federal, state, or international privacy or consumer protection-related laws and regulations, could result in proceedings or actions against us by governmental entities or others, subject us to significant penalties and negative publicity, and adversely affect our results of operations. In addition, our failure to adequately control fraudulent credit card transactions could damage our reputation and brand and substantially harm our business and results of operations.

Government regulation of the internet, both in the United States and abroad, is evolving and unfavorable changes could have a negative impact on our business.

The adoption, modification or interpretation of laws or regulations relating to the internet or other areas of our business could adversely affect the manner in which we conduct our business or the overall popularity or growth in use of the internet. Such laws and regulations may cover automatic contract or subscription renewal, credit card processing procedures, sales and other procedures, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts, consumer protection, broadband residential internet access and the characteristics and quality of services. In certain countries, such as those in Europe, such laws may be more restrictive than in the United States. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, and personal privacy apply to the internet and ecommerce as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or ecommerce. Those laws that do reference the internet are only beginning to be interpreted by the courts and their applicability and reach are therefore uncertain. For example, the Children's Online Privacy Protection Act imposes additional restrictions on the ability of online services to collect user information from minors. 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, make it more difficult to renew

subscriptions automatically, make it more difficult to attract new subscribers or otherwise alter our business model. Any of these outcomes could have a material adverse effect on our business, financial condition or results of operations.

We currently operate in more than 150 countries. The privacy, data protection, censorship and liability standards and regulations, and different intellectual property laws that apply in each of those foreign countries, may be different than those that apply to companies operating solely within the United States. To the extent that we are not in compliance with applicable local laws and regulations, our business may be harmed.

Expansion of our operations into additional content categories may subject us to additional business, legal, financial and competitive risks.

Currently, our operations are focused in significant part on digital still images. Further expansion of our operations and our marketplace into video footage or additional content categories involves numerous risks and challenges, including increased capital requirements, potential new competitors and the need to develop new contributor and strategic relationships. Growth into additional content areas may require changes to our existing business model and cost structure and modifications to our infrastructure and may expose us to new regulatory and legal risks, any of which may require expertise in which we have little or no experience. There is no guarantee that we will be able to generate sufficient revenue from sales of such content to offset the costs of acquiring such content.

The impact of worldwide economic conditions, including effects on advertising and marketing budgets, may adversely affect our business and operating results.

Our financial condition is affected by worldwide economic conditions and their impact on advertising spending. Expenditures by advertisers generally tend to reflect overall economic conditions, and to the extent that the economy stagnates, companies may reduce their spending on advertising and marketing, and thus the use of our online marketplace. This could have a serious adverse impact on our business. To the extent that overall economic conditions reduce spending on advertising and marketing activities, our ability to retain current and obtain new customers could be hindered, which could reduce our revenue and negatively impact our business.

The loss of key personnel, an inability to attract and retain additional personnel or difficulties in the integration of new members of our management team into our company could affect our ability to successfully grow our business.

Our future success will depend upon our ability to identify, attract, retain and motivate highly skilled technical, managerial, product development, marketing, content operations and customer service employees. Competition for qualified personnel is intense in our industry. We cannot guarantee that we will be successful in our efforts to attract such personnel.

We are highly dependent on the continued service and performance of our senior management team, as well as key technical and marketing personnel. Our inability to find suitable replacements for any of the members of our senior management team and our key technical and marketing personnel, should they leave our employ, would adversely impair our ability to implement our business strategy and could have a material adverse effect on our business and results of operations. Several members of our senior management team joined us in 2010 and 2011. These individuals are currently becoming integrated with the rest of our team. We believe the successful integration of our management team is critical to managing our operations effectively and to supporting our growth.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork and focus that contribute crucially to our business.

We believe that a critical component of our success is our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes a focus on execution. We have invested substantial time, energy and resources in building a highly collaborative team that works together

effectively in a non-hierarchical environment designed to promote openness, honesty, mutual respect and pursuit of common goals. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

If we do not successfully integrate past or potential future acquisitions, our business could be adversely impacted.

We have in the past pursued, and we may in the future pursue, acquisitions that are complementary to our existing business and that may expand our employee base and the breadth of our offerings. Future acquisitions or investments could result in potential dilutive issuances of equity securities, use of significant cash balances or the incurrence of debt, contingent liabilities or amortization expenses related to goodwill and other intangible assets, any of which could adversely affect our financial condition and results of operations. The benefits of an acquisition or investment may also take considerable time to develop, and we cannot be certain that any particular acquisition or investment will produce the intended benefits.

Integration of a new company's operations, assets and personnel into ours will require significant attention from our management. The diversion of our management's attention away from our business and any difficulties encountered in the integration process could harm our ability to manage our business. Future acquisitions will also expose us to potential risks, including risks associated with any acquired liabilities, the integration of new operations, technologies and personnel, unforeseen or hidden liabilities, information security vulnerabilities, the diversion of resources from our existing businesses, sites and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, our relationships with employees, customers, contributors and other suppliers as a result of integration of new businesses.

We may need to raise additional capital in the future and may be unable to do so on acceptable terms or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or functions of our online marketplace, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional capital. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

We are subject to payments-related risks that may result in higher operating costs or the inability to process payments, either of which could harm our financial condition and results of operations.

We accept payments using a variety of methods, including credit cards and debit cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards and debit cards, and it could disrupt our business if these companies became unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to

finer and higher transaction fees and lose our ability to accept credit and debit card payments from consumers or facilitate other types of online payments.

We are also subject to or voluntarily comply with a number of other laws and regulations relating to money laundering, international money transfers, privacy and information security and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to civil and criminal penalties or forced to cease our operations.

We are exposed to fluctuations in currency exchange rates, which could adversely affect our results.

Because we conduct a growing portion of our business outside of the United States but report our financial results in U.S. Dollars, we face exposure to adverse movements in currency exchange rates. Our foreign operations are exposed to foreign exchange rate fluctuations as the financial results are translated from the local currency into U.S. Dollars upon consolidation. If the U.S. Dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions will result in increased revenue, operating expenses and net income. Similarly, if the U.S. Dollar strengthens against foreign currencies, the translation of these foreign currency denominated transaction will result in decreased revenue, operating expenses and net income. As exchange rates vary, sales and other operating results, when translated, may differ materially from expectations.

We have foreign currency risks related to foreign-currency denominated revenues. All amounts owed and paid to our foreign contributors are denominated and paid in U.S. Dollars. In general, we are a net receiver of currencies other than the U.S. Dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. Dollar, will negatively affect our revenue and other operating results as expressed in U.S. Dollars.

Because we have determined our functional currency to be the U.S. Dollar, we have not experienced material fluctuations in our net income as a result of translation gains or losses. During 2009, 2010 and 2011, our foreign currency transaction gains and losses were immaterial. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

We depend on the continued growth of online commerce and the continued adoption of digital imagery. If these trends do not continue, our growth prospects and results of operations could be adversely impacted.

The business of selling goods and services over the internet is dynamic and relatively new. Concerns about fraud, privacy and other problems may discourage additional consumers from adopting the internet as a medium of commerce. In countries such as the U.S. and the United Kingdom, where our services and online commerce generally have been available for some time and the level of market penetration of our services is higher than in other countries, acquiring new customers may be more difficult and costly than it has been in the past. In order to expand our customer base, we may need to appeal to and acquire customers who historically have used traditional means of commerce to purchase goods and services. If these target customers prove to be less active than our earlier customers our business could be adversely impacted.

In addition, our growth is highly dependent upon the continued demand for imagery. The commercial digital imagery market is rapidly evolving, characterized by changing technologies, intense price competition, introduction of new competitors, evolving industry standards, frequent new service announcements and changing consumer demands and behaviors. To the extent that demand for imagery does not continue to grow as expected, our revenue growth will suffer.

Our business depends on the development and maintenance of the internet infrastructure. If the internet infrastructure experiences outages or delays our business could be adversely impacted.

The success of our services 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, for providing reliable internet 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 internet infrastructure may be unable to support such demands. In addition, increasing numbers of users, increasing bandwidth requirements or problems caused by viruses, worms, malware and similar programs may harm the performance of the internet. The backbone network of the internet has been the target of such programs. The internet has experienced a variety of outages and other 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 reduce the level of internet usage generally as well as the level of usage of our services, which could adversely impact our business.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as terrorism or computer viruses.

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins or similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage may be insufficient to compensate us for losses that may occur. In addition, acts of terrorism could cause disruptions in our business or the economy as a whole. Our principal executive offices are located in New York City, a region that has experienced acts of terrorism in the past. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential customer data. Although we have disaster recovery capabilities, there can be no assurance that we will not suffer from business interruption as a result of any such events. As we rely heavily on our servers, computer and communications systems and the internet to conduct our business and provide high quality service to our customers and contributors, such disruptions could negatively impact our ability to run our business, result in loss of existing or potential customers and contributors and increased maintenance costs, which would adversely affect our operating results and financial condition.

Risks Related to This Offering and Ownership of Our Common Stock

Our share price may be volatile and you may be unable to sell your shares at or above the initial public offering price.

The initial public offering price for our shares will be determined by negotiations between us and representatives of the underwriters and may not be indicative of prices that will prevail in the trading market. The market price of our common stock could be subject to wide fluctuations in response to many risk factors listed in this section, both within and outside of our control, including, but not limited to, the following:

- changes in projected operational and financial results;
- issuance of new or updated research or reports by securities analysts;
- the use by investors or analysts of third-party data regarding our business that may not reflect our actual performance;

- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- fluctuations in the trading volume of our shares, or the size of our public float; and
- general economic and market conditions.

Furthermore, the stock market has experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. If the market price of our common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, certain companies that have experienced volatility in the market price of their common stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

There has been no prior market for our common stock and an active trading market may not develop.

Prior to this offering, there has been no public market for our common stock. An active trading market may not develop following the closing of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares of common stock at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value and increase the volatility of your shares of common stock. An inactive market may also impair our ability to raise capital by selling shares of common stock and may impair our ability to acquire other companies or technologies by using our shares of common stock as consideration.

Future sales of our common stock in the public market could cause our share price to decline.

Sales of a substantial number of shares of our common stock in the public market following our initial public offering, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. Based on the number of shares outstanding as of December 31, 2011, we will have _____ shares of our common stock outstanding upon the closing of this offering (or _____ shares of our common stock if the underwriters exercise in full their over-allotment option).

All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act. The remaining _____ shares of common stock outstanding after this offering, based on shares outstanding as of December 31, 2011, will be restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers for at least 180 days after the date of this prospectus, subject to certain extensions.

Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. may, at their discretion, release all or some portion of the shares subject to lock-up agreements prior to expiration of the lock-up period.

After this offering, the holders of _____ shares of common stock will be entitled to rights with respect to registration of these shares under the Securities Act pursuant to an investors' rights agreement. We also intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of common stock subject to outstanding VAR grants, as well as options and shares reserved for future issuance, under our 2012 Omnibus Equity Incentive Plan and our 2012 Employee Stock Purchase Plan. Once we register these shares, they can be freely sold in the public market upon issuance and vesting, subject to the lock-up agreements described in the section of this prospectus captioned "Underwriting"

and contained in the terms of such plans, or unless they are held by "affiliates," as that term is defined in Rule 144 of the Securities Act.

We may also issue our shares of common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, investment or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

Jonathan Oringer, our founder, and other significant investors will control approximately % of our outstanding shares of common stock after this offering, and this concentration of ownership may have an effect on transactions that are otherwise favorable to our shareholders.

Upon completion of this offering, Jonathan Oringer, our founder and largest stockholder, will beneficially own approximately % of our outstanding shares of common stock, or approximately % if the underwriters exercise their overallotment option in full. In addition, certain funds affiliated with Insight Venture Partners, or Insight, will beneficially own approximately % of our outstanding shares of common stock, or approximately % if the underwriters exercise their overallotment option in full. As a result, Mr. Oringer and Insight will collectively control the outcome of matters submitted to our stockholders for approval, including the election of directors. This concentration of ownership may also delay, deter or prevent a change in control, and may make some transactions more difficult or impossible to complete without the support of these shareholders, regardless of the impact of this transaction on our other shareholders.

We will incur increased costs and our management will face increased demands as a result of operating as a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, our administrative staff will be required to perform additional tasks. For example, in anticipation of becoming a public company, we will need to adopt additional internal controls and disclosure controls and procedures and bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under applicable securities laws.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act, the Dodd-Frank Act and related regulations implemented by the Securities and Exchange Commission, or the SEC, and the stock exchanges are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. We are currently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and attract and retain qualified executive officers.

The increased costs associated with operating as a public company may decrease our net income or increase our net loss, and may cause us to reduce costs in other areas of our business or increase the prices of our products or services to offset the effect of such increased costs. Additionally, if these requirements divert our management's attention from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations.

The recently enacted JOBS Act will allow us to postpone the date by which we must comply with certain laws and regulations and to reduce the amount of information provided in reports filed with the SEC. We cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are and we will remain an "emerging growth company" until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenues equal or exceed \$1 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of our initial public offering, (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt, or (iv) the date on which we are deemed a "large accelerated filer" under the Securities and Exchange Act of 1934, as amended, or the Exchange Act. For so long as we remain an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on some or all of these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. If we avail ourselves of certain exemptions from various reporting requirements, our reduced disclosure may make it more difficult for investors and securities analysts to evaluate us and may result in less investor confidence.

If we fail to maintain an effective system of internal controls, we may not be able to report our financial results accurately or in a timely fashion, and we may not be able to prevent fraud; in such case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

Effective internal controls are necessary for us to provide reliable, timely financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002 will require us to evaluate and report on our internal control over financial reporting beginning with our Annual Report on Form 10-K for the year ending December 31, 2013. The process of implementing our internal controls and complying with Section 404 will be expensive and time-consuming, and will require significant attention of management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price.

Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of the year following our first

annual report required to be filed with the SEC, or the date that we are no longer an "emerging growth company." At such time that an attestation is required, our independent registered public accounting firm may issue a report that is adverse in the event that it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future.

We currently have a material weakness in our internal control over financial reporting relating to compliance with certain tax regulations, that, if not properly remediated, could impair our ability to comply with the accounting and reporting requirements applicable to public companies.

In connection with the audit of our financial statements as of and for the year ended December 31, 2011, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting with respect to our tax compliance process. Specifically, it was determined that we did not have adequate procedures and controls to appropriately comply with, and account for, certain tax regulations. A material weakness is defined as a significant deficiency, or a combination of significant deficiencies, that results in a reasonable possibility that a material misstatement of our financial statements will not be prevented by our internal control over financial reporting. A significant deficiency means a control deficiency, or a combination of control deficiencies, that adversely affects our ability to initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of our financial statements that is more than inconsequential will not be prevented or detected by our internal control over financial reporting.

We are working to remediate the material weakness. We have begun taking numerous steps and plan to take additional steps to remediate the underlying causes of the material weakness, primarily through a search for a tax specialist and updating our systems in order to collect the necessary data and taxes to comply with our required tax compliance processes. We intend to hire a tax specialist with the appropriate knowledge and ability to fulfill our obligations to comply with the accounting and reporting requirements applicable to public companies. The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. Although we plan to complete this remediation process as quickly as possible, we cannot at this time estimate how long it will take, and our initiatives may not prove to be successful in remediating this material weakness. If we are unable to successfully remediate this material weakness, it could harm our operating results, cause us to fail to meet our SEC reporting obligations or applicable stock exchange listing requirements on a timely basis, cause our stock price to be adversely affected or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

Our amended and restated certificate of incorporation and bylaws to be effective upon the closing of this offering will contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents will include provisions that:

- authorize blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- limit the liability of, and provide indemnification to, our directors and officers;
- limit the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;

- require advance notice of stockholder proposals and the nomination of candidates for election to our board of directors;
- require that directors only be removed from office for cause; and
- limit the determination of the number of directors on our board and the filling of vacancies or newly created seats on the board to our board of directors then in office.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without the prior approval of our board of directors or the holders of substantially all of our outstanding common stock.

These provisions of our charter documents and Delaware law, alone or together, could delay or deter hostile takeovers and changes in control or changes in our management. Any provision of our amended and restated certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock immediately after this offering. Therefore, if you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution of your investment. Based upon the issuance and sale of _____ shares of common stock by us at an assumed initial public offering price of \$ _____ per share (the midpoint of the price range set forth on the cover of this prospectus), you will incur immediate dilution of approximately \$ _____ in the pro forma net tangible book value per share if you purchase shares of our common stock in this offering. For a further description of the dilution that you will experience immediately after this offering, see the section captioned "Dilution." Furthermore, investors purchasing shares of our common stock in this offering will only own approximately _____ % of our outstanding shares of common stock, after completion of this offering even though their aggregate investment will represent _____ % of the total consideration received by us in connection with all initial sales of _____ shares of our capital stock outstanding as of December 31, 2011, after giving effect to the issuance of shares of our common stock in this offering and _____ shares of our common stock to be sold by certain selling stockholders. To the extent outstanding options to purchase our common stock are exercised, investors purchasing our common stock in this offering will experience further dilution.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion over the use of the net proceeds from this offering and you will be relying on their judgment in applying these proceeds. Our management might not apply our net proceeds in ways that ultimately increase the value of your investment. We expect to use the net proceeds from this offering for general corporate purposes, including working capital and capital expenditures, which may in the future include investments in, or acquisitions of, complementary businesses, services or technologies. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence our decisions on how to use our net proceeds from this offering.

After the completion of this offering, we do not expect to declare any dividends in the foreseeable future.

After the completion of this offering, we do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our ability to identify, attract and retain customers and contributors to our online marketplace;
- our ability to maintain repeat purchase and subscription revenue;
- our new and rapidly changing market;
- the competitive nature of and anticipated growth in our markets;
- our ability to maintain our competitive position in a highly competitive industry;
- our ability to protect our intellectual property and protect against infringement claims made by third parties;
- our ability to increase our brand awareness within the industry;
- our ability to effectively manage our rapid growth in recent periods;
- our ability to generate a larger percentage of our revenue from larger companies and satisfy related demands;
- our ability to successfully navigate the risks related to our international operations and expansion;
- the degree to which our operations expose us to greater than anticipated tax liabilities;
- our ability to respond to technological changes or upgrade our websites and technological systems;
- the attraction and retention of qualified employees and key personnel;
- fluctuations in our annual and quarterly results of operations;
- the impact of and our ability to successfully integrate past and future business acquisitions;
- our ability to remedy the material weakness in our internal control over financial reporting relating to compliance with certain tax regulations; and
- other risk factors included under "Risk Factors" in this prospectus.

In addition, in this prospectus, the words "believe," "may," "estimate," "continue," "anticipate," "intend," "expect," "predict," "potential" and similar expressions, as they relate to our company, our business and our management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Forward-looking statements speak only as of the date of this prospectus. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our products. These sources include BCC Research, Zenith Optimedia, BIA Kelsey, Microstock Group Forum, Cisco, IBISWorld, Netcraft and MagnaGlobal. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information and cannot assure you of its accuracy or completeness. While we believe the market position, market opportunity and market size information included in this prospectus to be generally reliable, such information is inherently imprecise and we cannot give you any assurance that any of the projected results will be achieved. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$ million from the sale of our shares of common stock in this offering, or approximately \$ million if the underwriters exercise their option to purchase additional shares of common stock to cover over-allotments in full, based on an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover of this prospectus) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for general corporate purposes, including capital expenditures and working capital. In addition, we may use all or a portion of the net proceeds to acquire or invest in complementary companies, products or technologies, although we currently do not have any acquisitions or investments planned. Pending such uses, we intend to invest the net proceeds from the offering in interest-bearing, investment grade securities.

We will not receive any proceeds from the sale of shares of common stock by the selling stockholders, including any shares of common stock sold by the selling stockholders in connection with the underwriters' exercise of their option to purchase additional shares of common stock, although we will bear the costs, other than underwriting discounts and commissions, associated with the sale of these shares.

DIVIDEND POLICY

We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors, based upon our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Historically, we have made monthly cash distributions to members of Shutterstock Images LLC with respect to their membership interests. For the years ended December 31, 2009, 2010 and 2011, distributions to the members of Shutterstock Images LLC were \$20.5 million, \$25.9 million and \$28.6 million, respectively. Additionally, since January 1, 2012, we have distributed \$11.1 million to the members of Shutterstock Images LLC. Furthermore, the LLC intends to continue making monthly cash distributions to its members up until the time of the Reorganization. We intend to make a final cash distribution to the members of Shutterstock Images LLC prior to our Reorganization from a New York limited liability company to a Delaware corporation. See "Reorganization."

REORGANIZATION

Shutterstock Images LLC was originally formed as a New York limited liability company in 2007. Prior to this offering, we will reorganize from Shutterstock Images LLC, a New York limited liability company, or the LLC, to Shutterstock, Inc., a Delaware corporation, by way of a merger of the LLC with and into Shutterstock, Inc., which prior to the Reorganization was a wholly-owned subsidiary of the LLC. In this "Reorganization":

- the membership interests in the LLC will be exchanged for shares of our common stock; and
- the value appreciation rights, or VARs, of the LLC granted and outstanding will be exchanged for options to purchase shares of our common stock pursuant to our 2012 Omnibus Equity Incentive Plan with the same exercise price and vesting terms as the exchanged VARs.

See "Description of Capital Stock" for additional information regarding the terms of our common stock following the Reorganization and the terms of our certificate of incorporation and bylaws as will be in effect upon closing of this offering. Concurrently with the consummation of the Reorganization, the operating agreement of the LLC will be terminated. After the Reorganization, Shutterstock, Inc., which is the issuer of the shares of common stock offered by this prospectus, will be the parent company of all of our subsidiaries, and will own the assets and conduct the business described in this prospectus.

As part of the Reorganization, two entities affiliated with Insight Venture Partners that currently own membership interests in the LLC, or the Insight Entities, and an entity affiliated with Jonathan Oringer that currently owns membership interests in the LLC, the Oringer Entity, will merge with and into Shutterstock, Inc. In these mergers, the shareholders of the Insight Entities and the Oringer Entity will receive shares of common stock of Shutterstock, Inc. In the applicable merger agreements, the companies that will be merged into us will represent and warrant that they do not have any liabilities that will be assumed by us in the mergers. The merger agreements pursuant to which the Insight Entities and the Oringer Entity will merge with and into Shutterstock, Inc. will also provide for certain customary representations and warranties.

Pursuant to the operating agreement, the LLC has historically made monthly cash distributions to its members, including those affiliated with our directors, executive officers or beneficial holders of more than 5% of our capital stock. The members of the LLC affiliated with Jonathan Oringer, Insight Venture Partners and Adam Riggs received aggregate distributions of \$49.9 million, \$18.7 million and \$6.4 million, respectively, for the three years ended December 31, 2011. From January 1, 2012 to April 30, 2012, such members of the LLC have received aggregate distributions of \$7.4 million, \$2.8 million and \$0.9 million, respectively. The LLC intends to continue making monthly cash distributions to its members, up until the time of the Reorganization.

Prior to the Reorganization, the LLC will make a final cash distribution to each of its members. The members of the LLC affiliated with Jonathan Oringer, Insight Venture Partners and Adam Riggs will receive a final cash distribution of \$ million, \$ million and \$ million, respectively.

CAPITALIZATION

The following table summarizes our cash and cash equivalents, and capitalization as of December 31, 2011:

- on an actual basis;
- on a pro forma basis to give effect to our reorganization from a New York limited liability company to a Delaware corporation, as described more fully under "Reorganization," based on an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover page of this prospectus), including:
 - (i) the reclassification of the balances of all common and preferred members' interests to common stock;
 - (ii) the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock;
 - (iii) the recognition of deferred tax assets and liabilities at an assumed combined federal, state and city income tax rate of %;
 - (iv) the distributions to be made to members prior to the Reorganization;
 - (v) the recognition of a one-time compensation expense associated with the vesting of equity awards; and
- on a pro forma as adjusted basis to give effect to this offering, including:
 - (i) the sale of shares of common stock by us in this offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering; and
 - (ii) the reclassification of deferred offering costs of \$ million to additional paid-in capital in connection with this offering.

You should read this table in conjunction with "Unaudited Pro Forma Consolidated Financial Statements," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of

Financial Condition and Results of Operations," and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2011		
	Actual	Pro forma (unaudited) (in thousands)	Pro forma as adjusted (unaudited)
Cash and cash equivalents	\$ 14,097	\$	\$
Redeemable preferred members' interest	33,725		
Members' deficit and Stockholders' equity:			
Common members' interest	5,699		
Common stock, \$0.01 par value; no shares authorized, issued and outstanding, actual; 30,000,000 shares authorized, 28,665,250 issued and outstanding, pro forma; 200,000,000 shares authorized, shares issued and outstanding, pro forma as adjusted	—		
Preferred stock, \$0.01 par value; no shares authorized, issued and outstanding, actual or pro forma; and 5,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted	—		
Additional paid-in capital	—		
Accumulated deficit	(63,627)		
Total members' deficit	(57,928)		
Total stockholders' equity	—		
Total capitalization	\$ (24,203)	\$	\$

The number of shares shown as issued and outstanding in the table above gives effect to our Reorganization, which will occur prior to this offering, as described under "Reorganization," and excludes:

- 1,334,750 shares of our common stock issuable upon the exercise of options outstanding as of December 31, 2011 at a weighted average exercise price of \$15.10 per share;
- shares of our common stock reserved for future grant or issuance under our 2012 Omnibus Equity Incentive Plan, which will become effective on or prior to the completion of this offering; and
- shares of our common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan, which will become effective upon the completion of this offering.

DILUTION

If you invest in our common stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock immediately after this offering.

As of December 31, 2011, our pro forma net tangible book value deficit was approximately \$ million or \$ per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities divided by the total number of shares of common stock outstanding as of December 31, 2011, after giving effect to our reorganization from a New York limited liability company to a Delaware corporation, as described more fully under "Reorganization." Dilution is determined by subtracting net tangible book value per share from the assumed initial public offering price per share. After giving effect to the sale of shares of common stock offered by us at an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover of this prospectus), and the adjustments set forth above, our pro forma net tangible book value deficit as of December 31, 2011 would have been \$ million or \$ per share of common stock. This represents an immediate increase in net tangible book value of \$ per share to existing stockholders and an immediate dilution of \$ per share to new investors purchasing common stock in this offering. The following table illustrates this per share dilution on a per share basis to new investors:

Assumed initial public offering price per share	\$
Pro forma net tangible book value deficit per share as of December 31, 2011	\$
Increase attributable to new investors as a result of this offering	<u> </u>
Pro forma as adjusted net tangible book value after this offering	<u> </u>
Dilution per share to new investors	<u><u>\$</u></u>

A \$1.00 increase or decrease in the assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover of this prospectus) would increase or decrease our as adjusted net tangible book value by approximately \$ million, or \$ per share of common stock, and the as adjusted dilution per share to new investors in this offering by approximately \$, assuming no change to the number of shares of common stock offered by us as set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses.

The following table summarizes on a pro forma basis, as of December 31, 2011, the differences between the existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid. The number of shares purchased from us by existing stockholders, and the per share calculations derived from such number of shares, in this "Dilution" section are based on our common stock outstanding as of December 31, 2011, after giving effect to our Reorganization from a New York limited liability company to a Delaware corporation, as described more fully under "Reorganization." The calculation below is based on an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover of this prospectus).

	<u>Shares purchased</u>		<u>Total consideration</u>		<u>Average price per share</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Existing stockholders			% \$		% \$
New investors					
Totals		<u>100.0%</u>	<u>\$</u>	<u>100.0%</u>	<u>\$</u>

A \$1.00 increase or decrease in the assumed public offering price of \$ _____ per share, would increase or decrease the total consideration paid by new investors and total consideration paid by all investors by \$ _____, assuming the sale of _____ shares of common stock by us at \$ _____ per share, the midpoint of the price range set forth on the cover of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses.

Sales by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to _____ shares, or _____ % of the total number of shares of our common stock outstanding after this offering. If the underwriters' over-allotment option is exercised in full, the number of shares held by the existing stockholders after this offering would be reduced to _____, or _____ % of the total number of shares of our common stock outstanding after this offering, and the number of shares held by new investors would increase to _____, or _____ % of the total number of shares of our common stock outstanding after this offering.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following are the unaudited pro forma consolidated financial statements of Shutterstock Images LLC. The unaudited pro forma consolidated statement of operations information was prepared as if the transactions described under "Reorganization" had taken place on January 1, 2011. The unaudited pro forma consolidated balance sheet information as of December 31, 2011 was prepared as if the Reorganization had taken place on December 31, 2011. See "Reorganization."

Prior to the Reorganization, we were organized as a limited liability company. As a limited liability company, we were not subject to U.S. federal or state income taxes and our earnings did not reflect the taxes we will pay as a corporation. In order to reflect our operating expenses, and our tax and capital structure as if we were organized as a corporation, the unaudited pro forma consolidated financial statements give effect to our corporate reorganization and related transactions as described in "Reorganization," including:

- the reclassification of the balances of all common and preferred members' interests to common stock;
- the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock;
- the exchange of our VAR grants into options to purchase shares of our common stock;
- the recognition of deferred tax assets and liabilities at an assumed combined federal, state and city income tax rate of %;
- the distributions to be made to members prior to the Reorganization;
- the recognition of a compensation expense associated with the vesting of equity awards; and
- a provision for income taxes as a corporation at an assumed combined federal, state and city income tax rate of % of our pre-tax net income. The actual combined tax rate will depend on many factors and may be higher or lower than this assumed rate.

The pro forma adjustments above are based upon available information and certain assumptions that management believes are reasonable and factually supportable. Adjustments that are based on fair value of the shares are calculated using the assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover of this prospectus).

We believe that the pro forma consolidated financial statements provide a helpful perspective to better understand our results of operations and our financial position. The unaudited pro forma consolidated financial statements and accompanying notes should be read together with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The unaudited pro forma consolidated financial statements presented are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited pro forma consolidated financial statements do not purport to represent what our results of operations or financial position would have been had the Reorganization actually occurred on the date or as of the date specified, nor do they purport to project our results of operations for any future period.

SHUTTERSTOCK IMAGES LLC
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of December 31, 2011
(in thousands)

	Actual	Pro forma adjustments for the Reorganization	Pro forma	Pro forma adjustments for the Offering	Pro forma as adjusted
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 14,097				(g)
Credit card receivables	964				
Accounts receivable, net	647				
Prepaid expenses and other current assets	1,554				(g)
Deferred tax assets	644	(e)			
Due from related party	168				
Total current assets	18,074				
Property and equipment, net	3,844				
Intangible assets, net	1,029				
Goodwill	1,423				
Deferred tax assets	58				
Other assets	427				
Total assets	\$ 24,855				\$ —
LIABILITIES, REDEEMABLE PREFERRED MEMBERS' INTEREST, MEMBERS' DEFICIT AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 1,838				
Accrued expenses	10,875				
Contributor royalties payable	5,261				
Income taxes payable	—				
Deferred revenue	28,451				
Other liabilities	85	(f)			
Total current liabilities	46,510				
Other non-current liabilities	2,548	(b)			
Total liabilities	49,058				
Commitment and contingencies					
Redeemable preferred members' interest	33,725	(a)			
Members' deficit:					
Common members' interest	5,699	(a)			
Accumulated deficit	(63,627)	(a)			
Total members' deficit	(57,928)				
Stockholders' equity:					
Common stock	—	(a) (b)			(g)
Additional paid-in capital	—	(a) (b) (c) (d) (g)			(g)
Retained earnings (deficit)		(b) (c) (d) (e)(f)			
Total stockholders' equity	—				
Total liabilities, redeemable preferred members' interest, members' deficit and stockholders' equity	\$ 24,855				\$ —

See Notes to Unaudited Pro Forma Consolidated Financial Statements.

SHUTTERSTOCK IMAGES LLC
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2011
(in thousands, except per share amounts)

	<u>Actual</u>	<u>Pro forma adjustments for the Reorganization</u>	<u>Pro forma</u>	<u>Pro forma adjustments for the Offering</u>	<u>Pro forma as adjusted</u>
Revenue	\$ 120,271				\$
Operating expenses:					
Cost of revenue	45,504				
Sales and marketing	31,929				
Research and development	9,777				
General and administrative	10,171	(h) (i)			
Total operating expenses	97,381				
Income from operations	22,890				
Interest income	10				
Income before income taxes	22,900				
Provision for income taxes	1,036	(j)			
Net income	<u>\$ 21,864</u>				<u>\$</u>
Net income per share of common stock(k):					
Basic					\$
Diluted					\$
Weighted average shares outstanding used to compute pro-forma net income per share of common stock:					
Basic					
Diluted					

See Notes to Unaudited Pro Forma Consolidated Financial Statements.

- (a) Represents the reclassification of the balances of all common members' and preferred members' interests to common stock and additional paid-in capital upon the Reorganization from a New York limited liability company to a Delaware corporation and recognition of a difference of \$ million between the book value of the redeemable preferred interests and the fair value of shares issued as an adjustment to accumulated deficit.
- (b) Represents the reclassification of an executive officer's profits interest award to common stock and additional paid-in capital and recognition of the difference of \$ million between the carrying value of the liability and the fair value of the stock issued as an adjustment to accumulated deficit. In addition, a one-time compensation charge of \$ million will be recorded based on the fair value of the stock as an adjustment to accumulated deficit and additional paid-in capital for the accelerated vesting of 50% of the unvested profits interest award granted to the executive officer.
- (c) Represents a one-time compensation expense of \$ million recorded as an adjustment to accumulated deficit and additional paid-in capital related to the vesting of an equity award granted to one of our key employees based on the grant date fair value.
- (d) Represents a one-time compensation charge of \$ million recorded as an adjustment to accumulated deficit and additional paid-in capital related to the vesting of grants under our VAR Plan that convert into options to purchase shares of our common stock pursuant to the Reorganization, based on the grant date fair value of these awards.
- (e) We will reorganize from a limited liability company to a Delaware C-corporation prior to this offering. Prior to the Reorganization, the LLC was treated as a partnership and paid only city unincorporated business income tax. As a corporation, we will be responsible for the payment of all federal and state corporate income taxes in addition to city income tax. As a result, we recorded a net adjustment of \$ million to accumulated deficit in connection with deferred tax assets and liabilities of \$ million based on an assumed combined federal, state and city income tax rate of %.
- (f) Represents distributions to be made to members prior to the Reorganization in the amount of \$ million.
- (g) Represents the following transactions in connection with the offering: (i) sales of shares of our common stock by us in this offering at an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering; and (ii) reclassification of deferred offering costs from working capital and total assets to additional paid-in capital.
- (h) In the period subsequent to the offering, we will begin to incur compensation expense related to the vesting of grants made under our VAR Plan. The recurring compensation expense associated with the VAR Plan is \$ million.
- (i) Represents a recurring compensation charge of \$ million associated with the vesting of equity awards granted to an executive officer as a result of the modification of his existing profits interest award in connection with the Reorganization.
- (j) Represents the following: (i) the tax effect of our reorganization from a limited liability company to a Delaware C-corporation, which will result in an incremental provision for income taxes as a corporation at an assumed combined federal, state and city income tax rate of %; and (ii) the tax effect of the recurring compensation expense related to the vesting of our equity awards described above.

- (k) For the purposes of the pro forma basic net income per share of common stock calculations, we have assumed that the Reorganization took place as of January 1, 2011.

Pro forma basic net income per share of common stock is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Pro forma diluted net income per share of common stock is computed by dividing net income available to common stockholders by the sum of the weighted average shares of common stock outstanding plus dilutive shares of common stock for the period. Pro forma basic and diluted shares of common stock also include the incremental number of shares from this offering, required to pay distributions in excess of earnings for the prior twelve months.

The basic and diluted pro forma per share of common stock calculations are presented below (in thousands, except per share amounts). The diluted pro forma per share of common stock calculation also assumes the conversion, exercise or issuance of all potential shares of common stock, unless the effect of inclusion would be anti-dilutive.

	<u>Year Ended December 31, 2011</u>
<i>Basic and Diluted pro forma net income per share of common stock</i>	
<i>Numerator:</i>	
Net income	\$
<i>Denominator:</i>	
Weighted average shares of common stock outstanding—basic	
Add: Incremental shares required to pay a portion of distributions that exceeded earnings for the previous twelve months	
Weighted average shares of common stock outstanding—basic	
Add: Additional shares arising from the assumed exercise of options and issuance of potentially dilutive unvested restricted shares of common stock	
Weighted average shares of common stock outstanding—diluted	<u> </u>
Net income per share of common stock—basic	\$
Net income per share of common stock—diluted	<u>\$</u>

The pro forma basic net income per share of common stock reflects (i) shares of common stock resulting from the reclassification of all common and preferred members' interests to shares of common stock, (ii) the issuance of shares of common stock upon the reclassification of an executive officer's profits interest award and accelerated vesting of 50% of the unvested profits interest award, (iii) the issuance of shares of common stock resulting from the vesting of equity awards to one of our key employees in connection with the Reorganization, and (iv) additional shares of common stock from this offering, which will be required to pay the portion of the distributions that exceeded earnings for the previous twelve months. The pro forma diluted net income per share of common stock reflects the dilution caused by the assumed exercise of stock options related to the VAR Plan and the issuance of potentially dilutive unvested restricted shares of common stock related to equity grants resulting from the modification of the profits interest award granted to an executive officer.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected consolidated financial and other data. We derived the selected consolidated statement of operations data for the years ended December 31, 2009, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010 and 2011, from our audited consolidated financial statements that are included elsewhere in this prospectus. We derived the consolidated statements of operations data for the years ended December 31, 2007 and 2008 and the balance sheet data as of December 31, 2007 and 2009 from our audited consolidated financial statements not included in this prospectus, and we derived the balance sheet data as of December 31, 2008 from our unaudited consolidated financial statements not included in this prospectus.

The adjustments to the pro forma statements of operations data and the pro forma balance sheet data give effect to our corporate reorganization and related transactions as described in "Reorganization," based on an assumed initial public offering price of \$ per share (the midpoint of the price range set forth on the cover page of this prospectus), including:

- the reclassification of the balances of all common and preferred members' interests to common stock;
- the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock;
- the recognition of deferred tax assets and liabilities at an assumed combined federal, state and city income tax rate of %;
- the distributions to be made to members prior to the Reorganization;
- the recognition of a compensation expense associated with the vesting of equity awards; and
- a provision for income taxes as a corporation at an assumed combined federal, state and city income tax rate of % of our pre-tax net income. The actual combined tax rate will depend on many factors and may be higher or lower than this assumed rate.

You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our

consolidated financial statements and related notes included elsewhere in this prospectus. Our historic results are not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,					2011
	2007	2008	2009	2010	2011	Pro forma (unaudited)
(in thousands, except share and per share amounts)						
Consolidated Statements of Operations Data:						
Revenue	\$ 30,006	\$ 52,744	\$ 61,099	\$ 82,973	\$ 120,271	\$
Operating expenses:						
Cost of revenue	9,158	16,903	21,826	32,353	45,504	
Sales and marketing	6,860	9,308	10,949	17,820	31,929	
Research and development	1,023	1,120	2,361	4,591	9,777	
General and administrative ⁽¹⁾	12,373	4,844	6,217	8,414	10,171	
Total operating expenses	29,414	32,175	41,353	63,178	97,381	
Income from operations	592	20,569	19,746	19,795	22,890	
Interest income	1	18	5	19	10	
Income before income taxes	593	20,587	19,751	19,814	22,900	
Provision for income taxes ⁽²⁾	402	942	909	876	1,036	
Net income	\$ 191	\$ 19,645	\$ 18,842	\$ 18,938	\$ 21,864	\$
Pro forma net income per share of common stock ⁽³⁾ :						
Basic (unaudited)						\$
Diluted (unaudited)						\$
Pro forma weighted average shares used in computing net income per share of common stock ⁽³⁾ :						
Basic (unaudited)						
Diluted (unaudited)						

(1) Includes non-cash compensation of \$917, \$2,032, \$1,833, \$1,114 and \$2,122 for the years ended December 31, 2007, 2008, 2009, 2010 and 2011, respectively.

(2) For 2009, 2010 and 2011, we operated as a New York limited liability company for federal and state income tax purposes, taxed as a partnership, and therefore were not subject to federal and state income taxes. Following the Reorganization, we will become subject to income taxes at an assumed combined federal, state and city tax rate of %. Such actual combined tax rate will depend on many factors and may be higher or lower than the assumed rate.

(3) The pro forma basic net income per share of common stock reflects (i) the reclassification of all common and preferred members' interests to shares of common stock, (ii) the issuance of shares of common stock upon the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock and the accelerated vesting of 50% of the unvested profits interest award granted to the executive officer, (iii) the issuance of shares of common stock resulting from the vesting of equity awards to one of our key employees in connection with the Reorganization and (iv) incremental number of shares from this offering which will be required to pay the portion of the distributions that exceeded earnings. The pro forma diluted net income per share of common stock reflects the dilution resulting from the issuance of additional shares arising from assumed exercise of options and potentially dilutive restricted shares of common stock.

	Year Ended December 31,				
	2007	2008	2009	2010	2011
Other Financial and Operational Data:					
Adjusted EBITDA (in thousands) ⁽¹⁾	\$ 1,617	\$ 22,782	\$ 21,983	\$ 21,783	\$ 26,532
Free cash flow (in thousands) ⁽²⁾	\$ 11,298	\$ 28,665	\$ 26,399	\$ 27,591	\$ 36,095
Paid downloads (in millions) (during period) ⁽³⁾	22.6	34.0	34.0	44.1	58.6
Revenue per download (during period) ⁽⁴⁾	\$ 1.33	\$ 1.55	\$ 1.80	\$ 1.88	\$ 2.05
Images in our library (in millions) (end of period) ⁽⁵⁾	2.6	5.1	8.9	13.3	17.4

(1) See "—Non-GAAP Financial Measures" below as to how we define and calculate Adjusted EBITDA and for a reconciliation between Adjusted EBITDA and net income, the most directly comparable GAAP financial measure and a discussion about the limitations of Adjusted EBITDA.

(2) See "—Non-GAAP Financial Measures" below as to how we define and calculate Free Cash Flow and for a reconciliation between Free Cash Flow and net cash provided by operating activities, the most directly comparable GAAP financial measure and a discussion about the limitations of Free Cash Flow.

(3) Paid downloads is the number of paid image downloads that our customers make during a given period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Paid Downloads" for more information as to how we define and calculate paid downloads.

(4) Revenue per download is the amount of revenue recognized in a given period divided by the number of paid downloads in that period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Revenue per Download" for more information as to how we define and calculate paid revenue per download.

(5) Images in our library is the total number of photographs, vectors and illustrations available to customers on shutterstock.com at the end of the period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Images in our Library" for more information as to how we define and calculate paid images in our library.

	As of December 31,					2011
	2007	2008	2009	2010	2011	Pro forma ⁽¹⁾
	(unaudited)		(in thousands)			(unaudited)
Consolidated Balance Sheet Data:						
Cash and cash equivalents	\$ 1,257	\$ 975	\$ 4,937	\$ 6,544	\$ 14,097	
Working capital (deficit)	(5,379)	(12,858)	(15,813)	(21,909)	(28,435)	
Property and equipment, net	616	816	1,219	1,703	3,844	
Total assets	2,773	3,384	11,067	13,863	24,855	
Deferred revenue	5,202	9,723	14,259	19,631	28,451	
Total liabilities	7,472	15,006	22,514	31,355	49,057	
Redeemable preferred members' interest	32,758	34,539	36,218	36,811	33,725	
Common members' interest	917	2,949	4,782	5,699	5,699	
Total members' (deficit)	(37,457)	(46,161)	(47,665)	(54,303)	(57,927)	

(1) Presented on a pro forma basis to give effect to: (i) the reclassification of all common and preferred members' interests to shares of common stock; (ii) the reclassification of an executive officer's profits interest award from other non-current liabilities to common stock; (iii) deferred tax assets and liabilities at an assumed combined federal, state and city income tax rate of %; (iv) distributions to be made to members prior to the Reorganization; and (v) a one-time compensation expense associated with the vesting of equity awards.

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed within this prospectus Adjusted EBITDA, a non-GAAP financial measure. We define Adjusted EBITDA

as income from operations before depreciation and amortization, non-cash equity-based compensation, interest and taxes.

We believe Adjusted EBITDA is an important measure of operating performance because it allows management, investors and others to evaluate and compare our core operating results from period to period by removing the impact of our asset base (depreciation and amortization), non-cash equity-based compensation, interest and taxes.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP as the excluded items may have significant effects on our operating results and financial condition. When evaluating our performance, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results. Additionally, our Adjusted EBITDA measure may differ from other companies' Adjusted EBITDA as it is a non-GAAP disclosure.

The following is a reconciliation of Adjusted EBITDA to net income for each of the periods indicated:

	Year Ended December 31,				
	2007	2008	2009 (in thousands)	2010	2011
Net Income	\$ 191	\$ 19,645	\$ 18,842	\$ 18,938	\$ 21,864
Non-GAAP adjustments:					
Depreciation and amortization	108	181	404	874	1,520
Non-cash equity-based compensation	917	2,032	1,833	1,114	2,122
Interest (income)	(1)	(18)	(5)	(19)	(10)
Provision for income taxes	402	942	909	876	1,036
Adjusted EBITDA	<u>\$ 1,617</u>	<u>\$ 22,782</u>	<u>\$ 21,983</u>	<u>\$ 21,783</u>	<u>\$ 26,532</u>

Free Cash Flow

To provide investors with additional information regarding our financial results, we have disclosed within this prospectus Free Cash Flow, a non-GAAP financial measure. We define Free Cash Flow as our cash provided by operating activities, adjusted for cash interest income, and subtracting capital expenditures. We believe that Free Cash Flow is an important measure of operating performance because it allows management, investors and others to evaluate the cash that we generate after the financing of projects required to maintain or expand our asset base. When evaluating our performance, you should consider Free Cash Flow alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results. Additionally, our Free Cash Flow measure may differ from other companies' Free Cash Flow as it is a non-GAAP disclosure.

The following is a reconciliation of Free Cash Flow to net cash provided by operating activities for each of the periods indicated:

	Year Ended December 31,				
	2007	2008	2009 (in thousands)	2010	2011
Net cash provided by operating activities	\$ 11,655	\$ 29,064	\$ 27,151	\$ 28,726	\$ 39,547
Interest income	1	18	5	19	10
Capital expenditures	(356)	(381)	(747)	(1,116)	(3,442)
Free cash flow	<u>\$ 11,298</u>	<u>\$ 28,665</u>	<u>\$ 26,399</u>	<u>\$ 27,591</u>	<u>\$ 36,095</u>

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

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and related notes that are included elsewhere in this prospectus. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this prospectus.

Overview

Shutterstock operates an industry-leading global marketplace for commercial digital imagery. Commercial digital imagery consists of licensed photographs, illustrations and videos that companies use in their visual communications, such as websites, digital and print marketing materials, corporate communications, books, publications and video content. According to BCC Research, the market for pre-shot commercial digital imagery is expected to exceed \$5 billion in 2013, driven primarily by demand from businesses, marketing agencies and media organizations.

Our global online marketplace brings together users of commercial digital imagery with image creators from around the world. More than 550,000 active, paying users contributed to revenue in 2011, representing an increase of 71% compared to the prior year. We have historically benefitted from a high degree of revenue retention from both subscription-based and On Demand customers. For example, in 2009, 2010 and 2011, we retained 82%, 96%, and 102%, respectively, of the prior year's revenue from the same set of customers. More than 35,000 approved contributors make their images available in our library, which grew to more than 19 million images as of April 30, 2012. This makes our library one of the largest of its kind and, in the twelve months ended December 31, 2011, we delivered more than 58 million paid downloads to our customers.

In 2003, we launched the initial version of our website and became one of the first companies in our industry to offer a simple subscription-based payment model. Since then, we have continually enhanced our platform, achieving key product development and business milestones that have driven our revenue and traffic growth:

- In November 2005, we launched our first foreign language website, in Japanese. We currently make our website available in a total of ten languages and transact in eight currencies on shutterstock.com, including U.S. Dollars, Euros, British Pounds and Yen.
- In February 2006, we began offering video footage in addition to our collection of still images.
- In June 2007, we launched *Shutterstock On The Red Carpet*, a program that facilitates the acquisition of press passes for Shutterstock contributors so that they can photograph newsworthy events.
- In August 2008, we launched an On Demand purchase option to better meet the needs of lower-volume image users.
- In September 2009, we acquired certain assets and liabilities of Bigstockphoto, Inc., or Bigstock, for approximately \$3.3 million in cash. Bigstock offers its customers the option of purchasing "credits," which are redeemed as images are downloaded. In 2011, Bigstock also began offering a Pay As You Go purchase option that allows customers to pay a fixed price as and when they download images.
- In October 2009, we began offering each of our customers indemnification of up to \$10,000 to cover legal costs or damages that may arise from their use of a Shutterstock image and to signal to customers that they can trust the quality and legal integrity of content they license through our marketplace. We subsequently began offering larger indemnification amounts or unlimited indemnification to certain of our customers.
- In November 2011, we launched *Shutterstock for iPad*, an application enabling visitors to search, browse and organize images using an iPad.

As an online marketplace, we generate revenue by selling image licenses and we pay royalties to contributors for each of their images that is downloaded. The majority of our revenue and downloads come from subscription-based users. These customers can download and use a large number of images in their creative process without concern for the incremental cost of each image download. For users who need fewer images, we offer simple, affordable, On Demand pricing, which is presented as a flat rate across all images and sizes. Each time an image or video is downloaded, we record a royalty expense for the amount due to the associated contributor. Royalties are calculated using either a fixed dollar amount or a fixed percentage of revenue as described on our websites. Royalties are paid to contributors on a monthly basis subject to certain payout minimums. Royalties represent the largest component of our operating expenses and tend to increase proportionally with revenue.

We have achieved significant growth in the last three years. Our total revenue has grown from \$61.1 million in 2009 to \$83.0 million in 2010 and \$120.3 million in 2011, representing a compound annual growth rate of 40.3% since 2009. As our revenue has grown, so have our operating expenses, from \$41.4 million in 2009 to \$63.2 million in 2010 and \$97.4 million in 2011, principally as a result of increased royalties, marketing costs and payroll expenses.

An important driver of our growth is customer acquisition, which we achieve primarily through online marketing efforts including paid search, organic search, online display advertising, email marketing, affiliate marketing, social media and strategic partnerships. In 2010 and 2011, we increased our investments in marketing as a percentage of revenue. Since we believe the market for commercial digital imagery is at an early stage, we plan to continue to invest aggressively in customer acquisition to achieve revenue and market share growth. We believe that another important driver of growth is the quality of the user experience we provide on our websites, especially the efficiency with which our search interfaces and algorithms help customers find the images that they need, the degree to which we make use of the large quantity of data we collect about images and search patterns, and the degree to which our websites have been localized for international audiences. To this end, we have also invested aggressively in product development and we plan to continue to invest in this area. Finally, the quality and quantity of content that we make available in our library is another key driver of our growth. In the last three calendar years, the number of approved and licensable images in the Shutterstock library has grown from 9 million to over 17 million images, making it one of the largest libraries of its kind.

Even as we have invested in our key growth drivers of customer acquisition, customer experience improvement and content acquisition, we have delivered strong profitability. In 2011, our net income was \$21.9 million and net cash from operating activities was \$39.5 million. Adjusted EBITDA and Free Cash Flow was \$26.5 million and \$36.1 million, respectively, in 2011. See "Selected Consolidated Financial Data—Non-GAAP Financial Measures."

Key Operating Metrics

In addition to key financial metrics, we regularly review a number of key operating metrics to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe that these metrics are useful for understanding the underlying trends in our business. The following table summarizes our key operating metrics, which are unaudited, for the years ended December 31, 2009, 2010 and 2011:

	Year Ended December 31,		
	2009	2010	2011
	(in millions, except revenue per download)		
Paid downloads (during period)	34.0	44.1	58.6
Revenue per download (during period)	\$ 1.80	\$ 1.88	\$ 2.05
Images in our library (end of period)	8.9	13.3	17.4

Paid Downloads

Measuring the number of paid downloads that our customers make in any given period is important because our revenue and contributor royalties are driven by paid download activity. For customers that choose our On Demand purchase options, each incremental download results in incremental recognition of revenue. For customers that choose our subscription purchase options, we do not recognize revenue from each incremental download, but we believe that download activity is an important measure of the value that a customer is getting from a subscription and the likelihood that he or she will renew. We define paid downloads as the number of downloads that our customers make in a given period of our photographs, vectors, illustrations or videos, excluding re-downloads of images that a customer has downloaded in the past (which do not generate contributor royalty expense) and downloads of our free image of the week (which we make available as a means of acquiring new customers and attracting existing customers to return to our websites more frequently).

Revenue per Download

We define revenue per download as the amount of revenue recognized in a given period divided by the number of paid downloads in that period. This metric captures both changes in our pricing as well as the mix of purchase options that our customers choose, some of which generate more revenue per download than others. For example, when a customer pays \$49.00 for five On Demand images, we earn more revenue per download (\$9.80) than when a customer purchases a one-month subscription for \$249.00 and downloads 100 images during the month (\$2.49). Over the last three years, revenue from each of our purchase options has grown, however our fastest growing purchase options have been those that generate more revenue per download, most notably our On Demand purchase options. Due to this change in product mix, our revenue per download has increased steadily over the last three years.

Images in our Library

We define images in our library as the total number of photographs, vectors and illustrations available to customers on shutterstock.com at any point in time. We record this metric as of the end of a period. Offering a large selection of images allows us to acquire and retain customers and, therefore, we believe that broadening our selection of high-quality images is an important driver of our revenue growth.

Basis of Presentation

Revenue

We generate revenue by licensing commercial digital imagery. The significant majority of our revenue is generated via either subscription or On Demand purchase options. We generate subscription revenue through the sale of subscriptions varying in length from 30 days to 1 year. Our most popular subscription offering allows up to 25 image downloads per day for a flat monthly fee. In substantially all cases, we receive the full amount of the subscription payment by credit card at the time of sale; however, subscription revenue is recognized on a straight-line basis over the subscription period. We generate On Demand revenue through the sale of fixed packages of downloads varying in quantity from 1 image to 25 images. We also generate On Demand revenue through Bigstock via the sale of both credits plans (which enable a customer to purchase a fixed number of credits which can then be utilized to download images anytime within one year) and Pay As You Go pricing (which provides for simple cash pricing of individual images). We typically receive the full amount of the purchase at the time of sale; however, revenue is recognized as images are downloaded or when the right to download images expires (typically 365 days after purchase). We provide a number of other purchase options which together represented less than 8% of the company's revenue in 2011. These purchase options include custom accounts (for customers that need multi-seat access, invoicing, higher or unlimited indemnification or a higher volume of images) and video footage (which are sold both individually and in fixed packages). We typically receive the full amount of the purchase at the time of sale; however, revenue is recognized as images or videos are downloaded or when the right to download expires, typically 365 days after purchase. Some of our larger custom accounts

are invoiced at or after the time of sale and pay us on credit terms. Some custom accounts pay in quarterly installments over the course of an annual commitment.

Our deferred revenue consists of paid but unrecognized subscription revenue, On Demand revenue, and other revenue. Deferred revenue is recognized as revenue when images or videos are downloaded (On Demand), through the passage of time (subscriptions) or when credits or the right to download images or videos expire, and when all other revenue recognition criteria have been met.

Costs and Expenses

Cost of Revenue. Cost of revenue consists of royalties paid to contributors, credit card processing fees, image and video review costs, customer service expenses, the infrastructure costs related to maintaining our websites and associated employee compensation, facility costs and other supporting overhead costs. We expect that our cost of revenue will increase in absolute dollars in the foreseeable future as our revenue grows.

Sales and Marketing. Sales and marketing expenses include third-party marketing, advertising, branding, public relations and sales expenses. Sales and marketing expenses also include associated employee compensation, commissions and benefits as well as facility and other supporting overhead costs. We expect sales and marketing expenses to increase in absolute dollars in the foreseeable future as we continue to invest in new customer acquisition.

Research and Development. Research and development expenses consist of headcount expenses, including salaries, benefits and bonuses for salaried employees and contractors engaged in product management, design, development and testing of our websites and products. Research and development costs also include facility and other supporting overhead costs. We expense research and development expenses as incurred. We expect research and development expenses to increase in absolute dollars in the foreseeable future as we continue to invest in developing new products and enhancing the functionality of our existing products.

General and Administrative. General and administrative expenses include employee salaries and benefits for executive, finance, business development, accounting, legal, human resources, internal information technology and other administrative personnel. In addition, general and administrative expenses include non-cash stock compensation expense, outside legal and accounting services, facilities costs and other supporting overhead costs. We expect to incur incremental general and administrative expenses to support our growth and to support operating as a public company.

Provision for Income Taxes. Historically, we filed our income tax return as a New York limited liability company, for federal and state income tax purposes. As a limited liability company, we recognized no federal and state income taxes, as the members of the LLC, and not the entity itself, are subject to income tax on their allocated share of our earnings. Historically, we generally made monthly distributions to our members under the terms of the LLC's operating agreement, and subject to our operating cash needs. Once we reorganize from a limited liability company to a Delaware corporation prior to this offering, our corporate income tax rate will increase significantly as we become subject to federal, state and additional city income tax. See Note 6 of Notes to our Consolidated Financial Statements and "Unaudited Pro Forma Consolidated Financial Statements" included elsewhere in this prospectus.

We are subject to taxation on allocable portions of our net income and other taxes based on various methodologies employed by taxing authorities in certain localities.

As we expand our operations outside of the United States, we may become subject to taxation based on the foreign statutory rates and our effective tax rate could fluctuate accordingly.

Our U.S. GAAP income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted statutory income tax rates in effect for the year in which

the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized.

Results of Operations

The following table presents our results of operations for the periods indicated. The period-to-period comparisons of results are not necessarily indicative of results for future periods.

	Year Ended December 31,		
	2009	2010	2011
	(in thousands)		
Consolidated Statement of Operations:			
Revenue	\$ 61,099	\$ 82,973	\$ 120,271
Operating expenses:			
Cost of revenue	21,826	32,353	45,504
Sales and marketing	10,949	17,820	31,929
Research and development	2,361	4,591	9,777
General and administrative	6,217	8,414	10,171
Total operating expenses	<u>41,353</u>	<u>63,178</u>	<u>97,381</u>
Income from operations	19,746	19,795	22,890
Interest income	5	19	10
Income before income taxes	<u>19,751</u>	<u>19,814</u>	<u>22,900</u>
Provision for income taxes	909	876	1,036
Net income	<u>\$ 18,842</u>	<u>\$ 18,938</u>	<u>\$ 21,864</u>

The following table presents the components of our results of operations for the periods indicated as a percentage of revenue:

	Year Ended December 31,		
	2009	2010	2011
Consolidated Statement of Operations as a Percentage of Revenue:			
Revenue	100%	100%	100%
Operating expenses:			
Cost of revenue	36	39	38
Sales and marketing	18	21	27
Research and development	4	6	8
General and administrative	10	10	8
Total operating expenses	<u>68</u>	<u>76</u>	<u>81</u>
Income from operations	32	24	19
Interest income	0	0	0
Income before income taxes	<u>32</u>	<u>24</u>	<u>19</u>
Provision for income taxes	1	1	1
Net income	<u>31%</u>	<u>23%</u>	<u>18%</u>

Comparison of the Years Ended December 31, 2010 and December 31, 2011

The following table presents our results of operations for the periods indicated:

	Year Ended December 31,			
	2010	2011 (in thousands)	\$ Change	% Change
Consolidated Statements of Operations Data:				
Revenue	\$ 82,973	\$ 120,271	\$ 37,298	45%
Operating expenses:				
Cost of revenue	32,353	45,504	13,151	41
Sales and marketing	17,820	31,929	14,109	79
Research and development	4,591	9,777	5,186	113
General and administrative	8,414	10,171	1,757	21
Total operating expenses	63,178	97,381	34,203	54
Income from operations	19,795	22,890	3,095	16
Interest income	19	10	(9)	(47)
Income before income taxes	19,814	22,900	3,086	16
Provision for income taxes	876	1,036	160	18
Net income	<u>\$ 18,938</u>	<u>\$ 21,864</u>	<u>\$ 2,926</u>	<u>15%</u>

Revenue

Revenue increased by \$37.3 million, or 45%, to \$120.3 million in 2011 compared to 2010. This increase in revenue was primarily attributable to growth in paid downloads and an increase in revenue per download. In 2010 and 2011, respectively, we delivered 44.1 million and 58.6 million paid downloads, and our average revenue per download increased from \$1.88 to \$2.05. Paid downloads increased primarily due to the acquisition of new customers. Revenue per download increased primarily due to growth in our On Demand offerings, which capture a higher effective price per image. From 2010 to 2011, revenue from North America remained unchanged at 34% while revenue from Europe decreased from 41% to 40% and revenue from the rest of the world increased from 25% to 26%.

Cost and Expenses

Cost of Revenue. Cost of revenue increased by \$13.2 million, or 41%, to \$45.5 million in 2011 compared to 2010. Royalties increased \$10.8 million, or 47%, driven by an increase in downloads from existing and new customers. We anticipate royalties growing in line with revenues in 2012 and beyond, although royalties as a percentage of revenue may vary somewhat from period to period. Credit card charges remained substantially unchanged at \$5.1 million as increasing card volume in 2011 was offset by significantly lower credit card processing fees per transaction as we switched the majority of our credit card processing to a new vendor in 2011. We anticipate credit card charges increasing in 2012 and beyond as credit card transaction volume increases. Employee-related costs increased \$1.1 million, or 60%, driven by increased headcount in customer service, content and website operations to support increased customer volume and a more robust website infrastructure.

Sales and Marketing. Sales and marketing expenses increased by \$14.1 million, or 79%, to \$31.9 million in 2011 compared to 2010. Advertising expenses increased by \$12.1 million or 89% as we continued to increase spending on both online and offline advertising, including spending on both search and display advertising globally. We anticipate that our global advertising spend will continue to increase significantly in absolute dollars in 2012 and beyond, provided that we continue to acquire customers cost effectively. Employee-related expenses increased by \$1.4 million or 41% driven by increases in sales and marketing headcount and increased sales commissions as a result of growing revenue from direct sales.

These cost increases were partially offset by the closure of our telesales call center in Saratoga Springs, New York, which had expenses of \$0.9 million in 2010.

Research and Development. Research and development expenses increased by \$5.2 million, or 113%, to \$9.8 million in 2011 compared to 2010. Employee-related costs increased by \$3.3 million or 94%, driven by headcount increases in product, engineering and quality assurance. The increased headcount costs were driven by an increasing number of research and development initiatives for our websites, including significant and ongoing efforts to improve our search capabilities. We anticipate increases in personnel costs as we continue to innovate and offer new products and features, although we expect the rate of increase will decline as we expand our operations. In addition, recruiting expenses increased by \$0.6 million, and consulting costs increased by \$0.5 million primarily due to costs associated with quality assurance services.

General and Administrative. General and administrative expenses increased by \$1.8 million, or 21%, to \$10.2 million in 2011 compared to 2010. Employee-related expenses increased by \$1.3 million, or 67% as we increased finance, legal, human resources, internal information technology and business intelligence personnel to support the growth in our revenue and the infrastructure necessary to operate as a public company. We anticipate headcount will increase in 2012 and beyond but we expect that the rate of growth will moderate as we expand our operations. Non-cash equity-based compensation expense increased by \$1.0 million or 91% due to the ongoing vesting of a common member's ownership interest, as more fully described in Note 11 to the Notes to our Consolidated Financial Statements. In 2011, post-acquisition service compensation related to a former employee of Bigstock decreased by \$0.6 million.

Income Taxes. Income tax expense increased by \$0.2 million or 18%, to \$1.0 million in 2011 compared to 2010 due to increased New York City unincorporated business tax resulting from increased taxable income.

Comparison of the Years Ended December 31, 2009 and December 31, 2010

The following table presents our results of operations for the periods indicated:

	Year Ended December 31,			
	2009	2010	\$ Change	% Change
	(in thousands)			
Consolidated Statements of Operations Data:				
Revenue	\$ 61,099	\$ 82,973	\$ 21,874	36%
Operating expenses:				
Cost of revenue	21,826	32,353	10,527	48
Sales and marketing	10,949	17,820	6,871	63
Research and development	2,361	4,591	2,230	94
General and administrative	6,217	8,414	2,197	35
Total operating expenses	41,353	63,178	21,825	53
Income from operations	19,746	19,795	49	0
Interest income	5	19	14	280
Income before income taxes	19,751	19,814	63	0
Provision for income taxes	909	876	(33)	(4)
Net income	<u>\$ 18,842</u>	<u>\$ 18,938</u>	<u>\$ 96</u>	<u>1%</u>

Revenue

Revenue increased by \$21.9 million, or 36%, to \$83.0 million in 2010 as compared to 2009. This increase in revenue was primarily attributable to growth in paid downloads and an increase in revenue per download. In 2009 and 2010, respectively, we delivered 34.0 million and 44.1 million paid downloads, and our average revenue per download increased from \$1.80 to \$1.88. Paid downloads increased primarily due to the acquisition of new customers. Revenue per download increased due to more rapid growth in our On Demand offerings, which have a higher effective price per image.

From 2009 to 2010, the proportion of our revenue derived from North America decreased from 36% to 34%, while revenue derived from Europe decreased from 42% to 41%, and revenue derived from the rest of the world increased from 22% to 25%.

Cost and Expenses

Cost of Revenue. Cost of revenue in 2010 increased by \$10.5 million, or 48%, to \$32.4 million in 2010 as compared to 2009. This increase was primarily driven by an increase in downloads (with a corresponding increase in contributor royalties), an increase in transactions (with a corresponding increase in credit card processing fees) and an increase in employee-related costs. Contributor royalties increased by \$6.7 million, or 41%, driven by an increase in image downloads. Credit card processing fees increased by \$2.2 million, or 77%, driven by an increase in credit card sales and by foreign currency conversion fees as we implemented a new foreign credit card processor in early 2010 to enable settlement in foreign currencies. Employee-related costs increased by \$0.8 million, or 82%, driven by increases in customer service, content and website operations headcount. During 2010, we significantly expanded our focus on improving customer service response times, increasing capacity in content operations and improving our website operations for increased speed and improved reliability.

Sales and Marketing. Sales and marketing expenses increased by \$6.9 million, or 63%, to \$17.8 million in 2010 compared to 2009 due to a \$5.3 million increase in advertising expenses and \$1.5 million increase in employee-related costs driven by increases in marketing and sales headcount. We increased our advertising investment by expanding our spending on online search engine marketing and banner advertising, which resulted in increased traffic to the site and increased customer purchases. We also increased the size and expertise of our marketing staff to improve our marketing strategy, online marketing, graphic design and copywriting.

Research and Development. Research and development expenses increased by \$2.2 million, or 94%, to \$4.6 million in 2010 compared to 2009 due primarily to a \$2.0 million or 136% increase in employee-related costs, driven by increases in product, engineering and quality assurance headcount. Beginning in the second half of 2009 and onwards, headcount began to increase significantly as we formed dedicated cross-functional teams for the various customer and contributor-facing website areas. The formation of these teams enabled us to significantly expand our research and development efforts, enabling improvements in areas such as site search, usability, conversion and retention.

General and Administrative. General and administrative expenses in 2010 increased by \$2.2 million, or 35%, to \$8.4 million in 2010 as compared to 2009 due primarily to a \$1.4 million increase in employee-related expenses, driven by increases in finance, legal, human resource and internal information technology headcount. We expanded our general and administrative staff significantly in 2010 as we expanded our finance and accounting department and added management, legal and human resource personnel to support the growth of our business.

Income Taxes. Income tax expense remained unchanged from 2009 to 2010, at \$0.9 million, as New York City taxable income remained largely unchanged.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for the last eight fiscal quarters. The information for each of these quarters has been prepared on the same basis as the audited financial statements included elsewhere in this prospectus and, in the opinion of management, includes all adjustments, consisting solely of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This data should be read in conjunction with the audited financial statements and accompanying notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period.

	Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
(in thousands)								
Consolidated Statement of Operations								
Data:								
Revenue	\$ 18,610	\$ 19,580	\$ 20,920	\$ 23,863	\$ 25,475	\$ 28,912	\$ 31,156	\$ 34,728
Operating expenses:								
Cost of revenue	7,163	7,687	8,244	9,259	10,179	10,977	11,373	12,975
Sales and marketing	3,445	4,004	5,231	5,140	6,961	6,875	8,493	9,600
Research and development	914	1,121	1,199	1,357	1,887	2,368	2,811	2,711
General and administrative	2,024	2,261	1,933	2,196	2,012	2,285	2,539	3,335
Total operating expenses	<u>13,546</u>	<u>15,073</u>	<u>16,607</u>	<u>17,952</u>	<u>21,039</u>	<u>22,505</u>	<u>25,216</u>	<u>28,621</u>
Income from operations	5,064	4,507	4,313	5,911	4,436	6,407	5,940	6,107
Interest income	1	4	4	10	6	1	1	2
Income before income taxes	5,065	4,511	4,317	5,921	4,442	6,408	5,941	6,109
Provision for income taxes	224	199	191	262	189	273	253	321
Net income	<u>\$ 4,841</u>	<u>\$ 4,312</u>	<u>\$ 4,126</u>	<u>\$ 5,659</u>	<u>\$ 4,253</u>	<u>\$ 6,135</u>	<u>\$ 5,688</u>	<u>\$ 5,788</u>
Non-GAAP Financial Data:								
Adjusted EBITDA ⁽¹⁾	\$ 5,712	\$ 5,168	\$ 4,534	\$ 6,369	\$ 5,053	\$ 7,205	\$ 6,945	\$ 7,329
Free cash flow ⁽²⁾	\$ 8,114	\$ 5,877	\$ 6,403	\$ 7,197	\$ 9,556	\$ 8,820	\$ 8,303	\$ 9,416

(1) See "Selected Consolidated Financial Data—Non-GAAP Financial Measures" as to how we define and calculate Adjusted EBITDA and a discussion about the limitations of Adjusted EBITDA, and see below for a reconciliation between Adjusted EBITDA and net income, the most directly comparable GAAP financial measure.

(2) See "Selected Consolidated Financial Data—Non-GAAP Financial Measures" as to how we define and calculate Free Cash Flow and a discussion about the limitations of Free Cash Flow, and see below for a reconciliation between Free Cash Flow and net cash provided by operating activities, the most directly comparable GAAP financial measure.

The following table presents the unaudited quarterly results of operations as a percentage of revenue:

	Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
(as a percentage of revenue)								
Consolidated Statement of Operations Data as a percentage of revenue:								
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Operating expenses:								
Cost of revenue	38	39	39	39	40	38	37	37
Sales and marketing	19	20	25	22	27	24	27	28
Research and development	5	6	6	6	7	8	9	8
General and administrative	11	12	9	9	8	8	8	10
Total operating expenses	73	77	79	76	82	78	81	83
Income from operations	27	23	21	24	18	22	19	17
Interest income	0	0	0	0	0	0	0	0
Income before income taxes	27	23	21	24	18	22	19	17
Provision for income taxes	1	1	1	1	1	1	1	1
Net income	26%	22%	20%	23%	17%	21%	18%	16%

	Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
(in thousands)								
Reconciliation of Net Income to Adjusted EBITDA:								
Net income	\$ 4,841	\$ 4,312	\$ 4,126	\$ 5,659	\$ 4,253	\$ 6,135	\$ 5,688	\$ 5,788
Non-GAAP adjustments:								
Depreciation and amortization	190	203	221	260	288	336	407	489
Non-cash equity-based compensation	458	458	—	198	329	462	598	733
Interest (income)	(1)	(4)	(4)	(10)	(6)	(1)	(1)	(2)
Provision for income taxes	224	199	191	262	189	273	253	321
Adjusted EBITDA	\$ 5,712	\$ 5,168	\$ 4,534	\$ 6,369	\$ 5,053	\$ 7,205	\$ 6,945	\$ 7,329

	Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
(in thousands)								
Reconciliation of Free Cash Flow to Net Cash Provided by Operating Activities:								
Net cash provided by operating activities	\$ 8,305	\$ 6,047	\$ 6,675	\$ 7,699	\$ 10,367	\$ 9,570	\$ 9,517	\$ 10,093
Interest income	1	4	4	10	6	1	1	2
Capital expenditures	(190)	(166)	(268)	(492)	(805)	(749)	(1,213)	(675)
Free cash flow	\$ 8,114	\$ 5,877	\$ 6,403	\$ 7,197	\$ 9,556	\$ 8,820	\$ 8,303	\$ 9,416

Quarterly Trends

Our operating results may fluctuate from quarter to quarter as a result of a variety of factors. For example, revenue in the first quarter of 2011 increased relative to the fourth quarter of 2010 primarily due to an increase in online advertising spending.

Our results may reflect the effects of some seasonal trends in customer behavior. For example, we expect usage to decrease during the fourth quarter of each calendar year due to the year-end holiday season, and to increase in the first quarter of each calendar year as many customers return to work. While we believe these seasonal trends have affected and will continue to affect our quarterly results, our trajectory of rapid growth may have overshadowed these effects to date. Additionally, because a significant portion of our revenue is derived from repeat customers who have purchased subscription plans, our revenues tend to be smoother and less volatile than if we had no subscription-based customers.

In addition, expenditures by customers tend to be discretionary in nature, reflecting overall economic conditions, the economic prospects of specific industries, budgeting constraints and buying patterns and a variety of other factors, many of which are outside our control. As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Liquidity and Capital Resources

As of December 31, 2011, we had cash and cash equivalents of \$14.1 million. Since inception, we have financed our operations primarily through cash flow generated from operations. Historically, our principal uses of cash have been funding our operations, capital expenditures and distributions to members. Prior to this offering, we will make a final distribution to members. Following the Reorganization, no further distributions to members will be made. Additionally, following the Reorganization, our tax rate and related tax payments will increase significantly as we become subject to federal, state and additional city income tax.

We plan to finance our operations and capital expenses largely through our operations. Since our results of operations are sensitive to the level of competition we face, increased competition could adversely affect our liquidity and capital resources, both by reducing our revenues and our net income, as a result of reduced sales, reduced prices and increased promotional activities, among other factors, as well as by requiring us to spend cash on advertising and marketing in an effort to maintain or increase market share in the face of such competition. In addition, the advertising and marketing expenses used to maintain market share and support future revenues will be funded from current capital resources or from borrowings or equity financings. As a result, our ability to grow our business relying largely on funds from our operations is sensitive to competitive pressures and other risks relating to our liquidity or capital resources.

Sources of Funds

We believe, based on our current operating plan, that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months.

Uses of Funds

Capital Expenditures. Consistent with previous periods, future capital expenditures will focus on acquiring additional servers and network connectivity hardware and software, and general corporate infrastructure. We anticipate capital expenditures of approximately \$5 million in 2012.

Historical Trends

The following table summarizes our cash flow data for 2009, 2010 and 2011.

	Year Ended December 31,		
	2009	2010	2011
	(in thousands)		
Net cash provided by operating activities	\$ 27,151	\$ 28,726	\$ 39,547
Net cash (used in) investing activities	\$ (2,689)	\$ (1,219)	\$ (3,419)
Net cash (used in) financing activities ⁽¹⁾	\$ (20,500)	\$ (25,900)	\$ (28,575)

(1) Comprised of distributions to LLC members. No further distributions to members will be made following the Reorganization.

Cash Flows

Operating Activities

Our primary source of cash from operating activities is cash collections from our customers. The substantial majority of our revenues are generated from credit card transactions and are typically settled within one to five business days. Our primary uses of cash for operating activities are for settlement of accounts payable to contributors, vendors and personnel-related expenditures.

In 2011, net cash provided by operating activities was \$39.5 million, an increase of 38% compared to 2010, including net income of \$21.9 million and non-cash compensation of \$2.1 million. Cash inflows from changes in operating assets and liabilities included an increase in deferred revenue of \$8.8 million, primarily related to an increase in both subscription and On Demand revenue. Accounts payable increased by \$5.7 million as trade payables grew in both average size and volume. Additionally, we changed the payment date of our annual performance bonuses and the payment date of a significant trade payable, which together accounted for \$2.9 million of the increase. Contributor royalties payable increased by \$1.3 million due to increasing royalty expenses generated by increased customer download activity.

In 2010, net cash provided by operating activities was \$28.7 million, an increase of 6% compared to 2009, including net income of \$18.9 million and non-cash compensation of \$1.1 million. Cash inflows from changes in operating assets and liabilities included an increase in deferred revenue of \$5.4 million primarily related to an increase in revenue, and an increase in contributor royalties payable of \$1.1 million due to increased royalty expenses generated by increased customer download activity.

In 2009, net cash provided by operating activities was \$27.2 million, a decrease of 7% compared to 2008, including net income of \$18.8 million and non-cash compensation of \$1.8 million. Cash inflows from changes in operating assets and liabilities included an increase in deferred revenue of \$3.9 million primarily related to an increase in revenue and an increase in contributor royalties payable of \$0.5 million due to increased royalty expenses generated by increased customer download activity.

Investing Activities

Our investing activities have consisted primarily of capital expenditures to purchase software and equipment related to our data centers, as well as capitalization of software and website development costs. In 2009, investing cash flows also included cash used in the acquisition of Bigstock.

Cash used in investing activities in 2011 was \$3.4 million, primarily consisting of capital expenditures, largely for server equipment, office equipment and capitalized website development costs.

Cash used in investing activities in 2010 was \$1.2 million, primarily consisting of capital expenditures, largely for server equipment and office equipment.

Cash used in investing activities in 2009 was \$2.7 million, consisting of capital expenditures of \$0.7 million, primarily for server equipment and office equipment, and \$1.9 million net cash paid (\$3.3 million gross cash paid less \$1.4 million cash acquired) for certain acquired assets and liabilities of Bigstock.

Financing Activities

We have historically made monthly distributions to our members typically equalling the cash in excess of that required for general working capital. In connection with the Reorganization, these distributions will cease, with the exception of a final distribution to members prior to this offering.

In 2011, 2010 and 2009, cash used in financing activities consisted of \$28.6 million, \$25.9 million and \$20.5 million, respectively, of distributions to members.

Contractual Obligations and Commitments

We lease office facilities in New York, New York, under operating lease agreements that expire from 2013 to 2015. Certain lease agreements provide for rental payments that increase on a graduated basis while other lease agreements provide for fixed rental payments over the lease terms. We recognize rent expense on a straight-line basis over the lease periods. We also have various co-location agreements with third-party hosting facilities that expire in 2012 and 2013. We anticipate leasing additional office space and increasing our co-location facilities, consistent with our historical business model. We do not have any debt or material capital lease obligations, and our property, equipment and software have been purchased primarily with cash. Our future minimum payments under non-cancelable operating leases and purchase obligations are as follows as of December 31, 2011:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years (in thousands)	3-5 Years	More Than 5 Years
Operating lease obligations	\$ 2,653	\$ 1,074	\$ 1,397	\$ 182	\$ —
Co-location obligations	462	264	198	—	—
Purchase obligations	1,664	1,490	174	—	\$ —
Total	<u>\$ 4,779</u>	<u>\$ 2,828</u>	<u>\$ 1,769</u>	<u>\$ 182</u>	<u>\$ —</u>

We also enter into contractual arrangements under which we agree to provide indemnification of varying scope and terms to customers with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements for damages directly attributable to the Company's breach. The Company is not responsible for any damages, costs, or losses arising as a result of the modifications made by the customer, or the context in which an image is used. The standard maximum aggregate obligation and liability to any one customer for all claims is limited to \$10,000. We offer certain of our customers greater levels of indemnification, including unlimited indemnification. We have experienced nominal losses to date as a result of the indemnification we offer and, as such, our reserves for indemnification-related losses are also nominal.

Off-Balance Sheet Arrangements

As of December 31, 2009, 2010 and 2011, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to goodwill, intangibles, equity-based compensation, income tax provisions and certain non-income tax accruals. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

We believe that the assumptions and estimates associated with our revenue recognition, allowance for doubtful accounts, stock based compensation, accounting for income taxes, goodwill and intangible assets and advertising costs have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Emerging Growth Company

Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. However, we are choosing to opt out of any extended transition period, and as a result we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Revenue Recognition

All revenue, net of refunds, is generated from the license of digital content through subscription or usage based purchase options. These purchase options include: subscription, On Demand, Pay As You Go, which was introduced in July 2011, and credit packs. We recognize revenue when the following four basic criteria are met: there is persuasive evidence of an arrangement; performance or delivery of services has occurred; the sales price is fixed or determinable; and collectability is reasonably assured. We consider persuasive evidence of an arrangement to be an electronic order form, or a signed contract, which contains the fixed pricing terms. Performance or delivery is considered to have occurred upon either the ratable passage of time over the contract period, a usage basis or upon the expiration of a contract period for which there are unused downloads or credits. Collectability is reasonably assured since substantially all of our customers purchase products by making electronic payments at the time of a transaction with a credit card. We established a chargeback allowance based on factors surrounding historical credit card chargeback trends and other information. As of December 31, 2010 and 2011, we recorded a chargeback allowance of \$0.1 million as of each period, which is included in other liabilities. Collectability is assessed for customers who pay on credit based on a credit evaluation for new customers and transaction history with existing customers. We established a bad debt allowance of \$0.3 million as of December 31, 2011. There was no need for a bad debt allowance as of December 31, 2010. Any cash received in advance of revenue recognition is recorded as deferred revenue.

Subscription plans range in length from thirty days to one year. Subscription plan revenues are recognized on a straight-line basis using a daily convention method over the plan term. On Demand plans are for a one-year term and permit the customer to download up to a fixed quantity of images. On Demand revenues are recognized at the time the customer downloads the digital content on an image by image basis. Revenue related to unused image downloads, if any, is recognized in full at the end of the plan term. Pay As You Go plans provide for individual image downloads. We recognize revenue as the customer downloads images. Credit-pack plans are for a one-year term and provide for the customer to purchase a fixed number of credits which can then be utilized to download images. The number of credits utilized for each download will depend on the image size and format. Credit-pack revenues are recognized based on customer usage on a per credit basis as images are downloaded. Revenue related to unused credits, if any, is recognized in full at the end of the plan term. Most plans automatically renew at the end of the plan term unless the customer elects not to renew.

Customers typically pay in advance (or upon commencement of term) via credit card, wire or check. Fees paid or invoiced in advance are deferred and recognized as described above. Customers that do not pay in advance are invoiced and are required to make payment under standard credit terms. We do not generally offer refunds or the right of return to our customers. There are situations in which a customer may receive a refund which is determined on a case-by-case basis. As we grow our direct sales and custom accounts revenue, a larger percentage of our revenue will be invoiced and collected on credit terms.

We license digital content through third party resellers. We contract with third party resellers around the world, who in turn sell our products to their customers in exchange for a commission. Resellers typically provide access to markets where we do not have a presence. We recognize revenue net of reseller commission fees in accordance with the authoritative guidance on principal agent considerations, as we act as an agent without any risk of loss for collection from the end-user.

Allowance for Doubtful Accounts

Our accounts receivable are customer obligations due under normal trade terms, carried at their face value less an allowance for doubtful accounts if required. We determine our allowance for doubtful accounts based on the evaluation of the aging of our accounts receivable and on a customer-by-customer analysis of our high-risk customers. Our reserves contemplate our historical loss rate on receivables, specific customer situations and the economic environments in which we operate. As of December 31, 2010, we determined there was no allowance needed. As of December 31, 2011, we recorded an allowance for doubtful accounts of \$0.3 million.

Equity-Based Compensation

Since June 7, 2007, we have been organized as a limited liability company. Beginning in 2011, we granted equity rights similar to options under our VAR Plan. Such VAR grants have an exercise price, a vesting period and an expiration date, in addition to other terms similar to typical equity option grant terms. For the purposes of this registration statement and the compensation disclosures in particular, the terms VAR and option will both be referred to as "grants." The VAR grants are subject to a time-based vesting requirement and a condition that a change of control occur for a payment to trigger with respect to the VAR grants. In connection with the Reorganization, the VAR grants will be exchanged for options to purchase shares of common stock of Shutterstock, Inc. with only a time-based vesting requirement, which will be granted pursuant to our 2012 Omnibus Equity Incentive Plan.

We measure and recognize equity-based compensation expense for all equity-based payment awards made to employees based on estimated fair values. The value portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period. For awards with a change of control condition, an evaluation is made at the grant date and future periods as to the likelihood of the condition being met. Compensation expense is adjusted in future periods for subsequent changes in the expected outcome of the change of control conditions until the vesting date. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option-pricing model to determine the fair value of grants. The determination of the grant date fair value of grants using an option-pricing model is affected by our estimated common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of our common stock, our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates, and expected dividends, which are estimated as follows:

- *Fair Value of Our Common Stock.* Because our stock is not publicly traded, we must estimate the fair value of common stock, as discussed in "Common Stock Valuations" below.
- *Expected Term.* The expected term was estimated using the simplified method allowed under SEC guidance.
- *Volatility.* As we do not have a trading history for our common stock, the expected stock price volatility for our common stock was estimated by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies similar in size, stage of

life cycle and financial leverage. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

- *Risk-free Interest Rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.
- *Dividend Yield.* Prior to this offering, while we were structured as a limited liability company, we historically paid cash dividends or distributions to our members. Once we complete this offering, we do not intend to pay cash dividends or distributions in the foreseeable future. Consequently, we used an expected dividend yield of zero.

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

The following table presents the weighted average assumptions used to estimate the fair value of grants during 2011:

	Year Ended December 31, 2011
Expected term (in years)	5.5–6.6
Volatility	44%– 47%
Risk-free interest rate	1.4%–2.9%
Dividend yield	0%

Common Stock Valuations

The fair value of the common stock underlying our grants was determined by our board of managers (referred to herein as our board of directors) or the compensation committee of our board, which intended all grants to be exercisable at a price per share not less than the per share fair market value of our common stock underlying those grants on the date of grant. The valuations of our common stock were determined primarily based on third-party valuations effective as of August 17, 2010, February 18, 2011 and December 15, 2011. The assumptions used in the valuation model are based on future expectations combined with management judgment. In the absence of a public trading market, our board of directors with input from management exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our common stock as of the date of each grant, including the following factors:

- our operating and financial performance;
- current business conditions and projections;
- the hiring of key personnel;
- the history of the company and the introduction of new functionality and services;
- our stage of development;
- the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of our company, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability for our common stock;

- the market performance of comparable publicly traded companies; and
- the U.S. and global capital market conditions.

We made grants with the following exercise prices between January 1, 2010 and the date of this prospectus:

<u>Grant Dates</u>	<u>Number of Shares Underlying Grants</u>	<u>Exercise Price Per Share</u>	<u>Common Stock Fair Value Per Share at Grant Date</u>
November 2010 ⁽¹⁾	75,000	\$ 12.50	\$ 9.32
April 2011	485,750	14.17	11.33
June 2011	285,000	15.00	11.33
July 2011	55,000	15.00	11.33
August 2011	40,000	15.00	11.33
October 2011	157,500	16.00	11.33
December 2011	272,250	17.00	16.67
March 2012	151,500	17.50	16.67
April 2012	20,000	17.50	16.67
May 2012	36,750	18.67	16.67

- (1) Initial grant issued as a profits interest prior to the institution of the VAR Plan. Such interest was converted to a VAR grant with pre-existing terms upon creation of the VAR Plan in April 2011.

In order to determine the fair value of our common stock underlying option grants, we first determined our business enterprise value, or BEV, and then allocated a portion of the BEV to each option grant with the assistance of our third party valuation specialist. Our BEV was estimated using the income approach using the discounted cash flow method, or DCF. We also considered the market-based approach using the comparable company method to check the reasonableness of the DCF value. The DCF method estimates enterprise value based on the estimated present value of future net cash flows the business is expected to generate over a forecasted period and an estimate of the present value of cash flows beyond that period, which is referred to as terminal value. The estimated present value is calculated using a discount rate known as the weighted average cost of capital, which accounts for the time value of money and the appropriate degree of risks inherent in the business. The market-based approach considers multiples of financial metrics based on both acquisitions and trading multiples of a selected peer group of companies. These multiples are then applied to our financial metrics to derive a range of indicated values. Our indicated BEV at each valuation date was allocated to the shares of common stock. Estimates of the volatility of our common stock were based on available information on the volatility of common stock of comparable, publicly traded companies.

Significant factors considered by our board of directors in determining the fair value of our common stock at these grant dates include:

November 2010. A third party valuation commissioned by us, effective as of August 17, 2010, determined the fair market value to be \$9.32 per share. Based on this valuation and the factors described above, particularly the hiring of our President, continued growth in our customer base and revenue, and improvements in our websites' functionality, our board of directors approved grants in November 2010 with an exercise price of \$12.50 per share.

April 2011. A third party valuation commissioned by us, effective as of February 18, 2011, determined the fair market value to be \$11.33 per share. Based on this valuation and the factors described above, particularly the hiring of our Chief Technology Officer, continued growth in our customer base and revenue, and growth in our image library, our board of directors approved grants in April 2011 with an exercise price of \$14.17 per share.

June-August 2011. Based on the valuation effective as of February 18, 2011 that deemed fair market value to be \$11.33 per share and the factors discussed above, particularly the hiring of key management, as well as continued growth in our customer base and revenue, and growth in our image library, our board of directors approved grants in the period of June-August 2011 with an exercise price of \$15.00 per share.

October 2011. Based on the valuation effective as of February 18, 2011 that deemed fair market value to be \$11.33 per share and the factors discussed above, particularly the continued growth in revenue and customer base, as well as initial organization efforts to prepare for a potential initial public offering, our board of directors approved grants with an exercise price of \$16.00 per share.

December 2011. A third party valuation commissioned by us, effective as of December 15, 2011, determined the fair market value to be \$16.67 per share. Based on this valuation and the factors described above, particularly the achievement of our 2011 financial plan and the continued expansion of our customer base and revenue, our board of directors approved grants with an exercise price of \$17.00 per share.

March-April 2012. Based on the valuation effective as of December 15, 2011 that deemed fair market value to be \$16.67 per share and the factors discussed above, particularly the continued growth in our revenue and customer base, and the expansion of our board of directors with the addition of four independent members, our board of directors approved grants with an exercise price of \$17.50 per share.

May 2012. Based on the valuation effective as of December 15, 2011 that deemed fair market value to be \$16.67 per share and the factors discussed above, particularly the continued growth in our revenue and customer base, as well as progress we made in preparing for the initial filing of our initial public offering, our board of directors approved grants with an exercise price of \$18.67 per share.

Accounting for Income Taxes

Historically, we filed our income tax returns as a limited liability company, and were taxed as a partnership for federal and state income tax purposes. We plan to reorganize from a limited liability company to a Delaware corporation prior to this offering. We currently recognize no federal and state income taxes, as the members of the LLC, and not our company itself, are subject to income tax on their allocated share of our earnings. We are subject to taxation on allocable portions of independent net income and other taxes based on various methodologies employed by taxing authorities in certain localities. We generally make monthly distributions to our members under the terms of the LLC's operating agreement, subject to our operating cash needs.

We account for unrecognized tax benefits using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. We record an income tax liability, if any, for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on our tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The reserves are adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. During each of the years ended December 31, 2009 and 2010, respectively, liabilities for unrecognized income tax benefits was \$0. During the year ended December 31, 2011, we recorded an unrecognized income tax liability in the amount of \$0.1 million.

We recognize interest accrued related to unrecognized tax benefits in interest expense and tax penalties in income tax expense in the consolidated statements of operations. We did not accrue or pay any interest or penalties related to unrecognized income tax benefits for the years ended December 31, 2009, 2010 and 2011, respectively.

As a result of the Reorganization, our earnings will be subject to federal, state and additional city income taxes at a combined statutory rate of approximately % . The actual combined rate will depend on many factors and may be much higher or lower than this assumed rate. However, we will no longer be subject to the New York City unincorporated business tax. See Note 6 of Notes to our Consolidated Financial Statements.

We are subject to requirements for non-income taxes, including payroll, value added and sales-based taxes. Where appropriate, we have made accruals for these matters, which are reflected in our consolidated financial statements.

Goodwill and Intangible Assets

Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but are instead tested for impairment at least annually on October 1 of each fiscal year or more frequently if events occur or circumstances exist that indicate that the fair value of a reporting unit may be below its carrying value. Goodwill has been allocated to our reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. In September 2011, the FASB issued authoritative guidance which gives entities the option of performing a qualitative assessment of goodwill prior to calculating the fair value of a reporting unit in "step 1" of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required to be performed. We adopted this newly issued authoritative guidance effective October 1, 2011. We completed our most recent qualitative impairment analysis as of October 1, 2011. Among the factors included in our qualitative assessment were general economic conditions and the competitive environment, actual and expected financial performance, including consideration of our revenue growth and improved operating results year-over-year, forward-looking business measurements, external market conditions, and other relevant entity-specific events. Based on the results of the qualitative assessment, we concluded that it is more likely than not that the fair value of its reporting unit is more than its carrying amount, and therefore performance of the two-step quantitative impairment test was not necessary. There were no impairments of goodwill in any of the periods presented in the consolidated financial statements.

Advertising Costs

We expense the cost of advertising and promoting our products as incurred. The majority of our advertising costs are related to search engine marketing and other online advertising and, to a lesser extent, tradeshow participation, print, advertising, affiliate marketing and general branding and market awareness efforts.

Internal Control Over Financial Reporting

In connection with the audit of our financial statements as of and for the year ended December 31, 2011, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting with respect to our tax compliance process. Specifically, it was determined that we did not have adequate procedures and controls to appropriately comply with, and account for, certain tax regulations. A material weakness is defined as a significant deficiency, or a combination of significant deficiencies, that results in a reasonable possibility that a material misstatement of our financial statements will not be prevented by our internal control over financial reporting. A significant deficiency means a control deficiency, or a combination of control deficiencies, that adversely affects our ability to initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of our financial statements that is more than inconsequential will not be prevented or detected by our internal control over financial reporting.

We are working to remediate the material weakness. We have begun taking numerous steps and plan to take additional steps to remediate the underlying causes of the material weakness, primarily through a search for a tax specialist and updating our systems in order to collect the necessary data and taxes to comply with our required tax compliance processes. We intend to hire a tax specialist with the appropriate knowledge and ability to fulfill our obligation to comply with the accounting and reporting requirements applicable to public companies. The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. Although we plan to complete this remediation process as quickly as possible, we cannot at this time estimate how long it will take, and our initiatives may not prove to be successful in remediating this material weakness. If we are unable to successfully remediate this material weakness, it could harm our operating results, cause us to fail to meet our SEC reporting obligations or applicable stock exchange listing requirements on a timely basis, cause our stock price to be adversely affected or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business, including risks related to interest rate fluctuation, foreign currency exchange rate fluctuation and inflation.

Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market accounts. We do not have long-term borrowings. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash and cash equivalents have a relatively short maturity, our portfolio's fair value is not particularly sensitive to interest rate changes. We determined that the nominal difference in basis points for investing our cash and cash equivalents in longer-term investments did not warrant a change in our investment strategy. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives. A change in market interest rates would not be expected to have a material impact on our financial condition or our results of operations.

Foreign Currency Exchange Risk

Revenues derived from customers residing outside North America as a percentage of total revenue was approximately 64%, 66%, and 66% in 2009, 2010, and 2011, respectively. Our sales to international customers are denominated in multiple currencies, including but not limited to the U.S. Dollar, the Euro, the British Pound and the Yen. Revenue denominated in foreign currencies as a percentage of total revenue was 37%, 34%, and 35% in 2009, 2010, and 2011. We have foreign currency risks related to foreign-currency denominated revenues. All amounts owed and paid to our foreign contributors are denominated and paid in U.S. Dollars. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. Dollars, will negatively affect our revenue and other operating results as expressed in U.S. Dollars. Based on our 2011 foreign currency denominated revenue, a 10% change in the exchange rate of the U.S. Dollar against all foreign currency denominated revenues would result in an approximately 4% impact on our revenue.

Because we have determined our functional currency to be the U.S. Dollar, we have not experienced material fluctuations in our net income as a result of translation gains or losses. During 2009, 2010 and 2011, our foreign currency transaction gains and losses were immaterial. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Inflation Risk

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

Recently Issued and Adopted Accounting Pronouncements

In December 2011, the FASB amended its guidance for disclosures about offsetting assets and liabilities. This guidance is intended to provide enhanced disclosures that will enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this update. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. An entity is required to apply this amendment for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This guidance relates specifically to disclosures and its adoption is not expected to have a material impact on our consolidated financial statements.

In September 2011, the FASB amended its guidance for performance of goodwill impairment testing in order to simplify how entities test goodwill for impairment. The amendment allows entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a greater than 50 percent likelihood exists that the fair value is less than the carrying amount then the two-step goodwill impairment test must be performed. The guidance provided by this update becomes effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, but early adoption is permitted. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. We adopted the authoritative guidance effective October 1, 2011 and applied the guidance to the annual goodwill impairment assessment during the fourth quarter of 2011. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income, which is effective for annual reporting periods beginning after December 15, 2011. In December 2011, the FASB deferred the requirement to present components of reclassifications of other comprehensive income on the face of the income statement that had previously been included in the June 2011 amended standard. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In May 2011, the FASB amended its guidance to converge fair value measurement and disclosure requirements in U.S. GAAP with International Financial Reporting Standards, or IFRS. This amendment addresses fair value measurement and disclosure requirements for the purpose of providing consistency and common meaning between U.S. GAAP and IFRS. This amendment is not intended to change the application of the requirements but primarily changes the wording to describe many of the requirements in U.S. GAAP for measuring fair value or for disclosing information about fair value measurements. This

guidance is effective for periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In February 2010, the FASB issued amended guidance on certain recognition and disclosure requirements for subsequent events. The amended guidance requires an entity that is a filer with the SEC to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose a date, in both issued and revised financial statements, through which the filer had evaluated subsequent events. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2010, the FASB issued amended guidance on fair value measurements and disclosures. The new guidance requires additional disclosures regarding fair value measurements, amends disclosures about postretirement benefit plan assets, and provides clarification regarding the level of disaggregation of fair value disclosures by investment class. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods beginning after December 15, 2010. Accordingly, we adopted this in 2010, except for the additional Level 3 requirements, which were adopted in 2011. Level 3 assets and liabilities are those whose fair market value inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB and SEC and/or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

BUSINESS

Overview

Shutterstock operates an industry-leading global marketplace for commercial digital imagery. Commercial digital imagery consists of licensed photographs, illustrations and videos that companies use in their visual communications, such as websites, digital and print marketing materials, corporate communications, books, publications and video content. According to BCC research, the market for pre-shot commercial digital imagery is expected to exceed \$5 billion in 2013, primarily driven by demand from businesses, marketing agencies and media organizations. There has been a significant increase in the demand for commercial digital imagery as rapid technological advances have reduced the cost and effort required to create, license and use images. Our global online marketplace brings together users of commercial digital imagery with image creators from around the world. More than 550,000 active, paying users contributed to revenue in 2011, representing an increase of 71% compared to the prior year. More than 35,000 approved contributors make their images available in our library, which has grown to more than 19 million images as of April 30, 2012. This makes our library one of the largest of its kind, and, in the twelve months ended December 31, 2011, we delivered more than 58 million paid downloads to our customers.

Our online marketplace provides a freely searchable library of commercial digital images that our users can pay to license, download and incorporate into their work. We compensate image contributors for each of their images that is downloaded. This marketplace model allows us to offer users a disruptive, low-cost and easy-to-use alternative to the time-consuming and expensive traditional methods of obtaining commercial imagery. It enables millions of small and medium-sized businesses, or SMBs, to affordably access commercial digital images, and allows larger enterprises and media agencies to more easily and efficiently satisfy their increasing image needs.

We are the beneficiaries of significant network effects. As we have grown, our broadening audience of paying users has attracted more images from contributors. This increased selection of images has in turn helped to attract more paying users. The success of this network effect is facilitated by the trust that users place in Shutterstock to maintain the integrity of our branded marketplace. Every contributor in our marketplace and every image we make available must pass our proprietary screening process and meet our standards of quality. In addition, and unlike the significant majority of free images available online, our rigorous vetting process enables us to provide confidence and indemnification to our users that the images in our library have been appropriately licensed for commercial or editorial use.

We make image licensing affordable, simple and easy in order to encourage a high volume of purchases and downloads. Our customers' average cost per image in 2011 was less than \$3.00. We are a pioneer of the subscription-based usage model in our industry, whereby subscribers can download and use a large number of images in their creative process without concern for the incremental cost of each download. The majority of our downloads come from subscription-based users, who contributed 59% of our revenue in 2011. We also offer simple and easy-to-use On Demand purchase options for users with less consistent needs. As a result of our simple and affordable licensing models, we believe that we have achieved the highest volume of commercial image downloads of any single brand in our industry. In addition to driving revenue, this high volume of download activity allows us to continually improve the quality and accuracy of our search algorithms, as well as to encourage the creation of new content to meet our users' needs.

Our revenue is diversified and predictable. More than 550,000 customers from more than 150 countries contributed to our revenue in 2011, with no single customer accounting for more than 1% of our revenue. We have historically benefitted from a high degree of revenue retention from both subscription-based and On Demand customers. For example, in 2009, 2010 and 2011, we retained 82%, 96%, and 102%, respectively, of the prior year's revenue from the same set of customers. Customers typically pay us upfront

and then use their downloads in a predictable pattern over time, which results in favorable cash flow characteristics and has historically added predictability and stability to our financial performance.

We have achieved significant growth in the eight years since our company was founded. In 2010 and 2011, we generated revenue of \$83.0 million and \$120.3 million, respectively, representing year-over-year growth of 35.8% and 45.0%, respectively. In 2010 and 2011, we generated Adjusted EBITDA of \$21.8 million and \$26.5 million, respectively, and Free Cash Flow of \$27.6 million and \$36.1 million, respectively. See "Summary Consolidated Historical and Unaudited Pro Forma Financial Data—Non-GAAP Financial Measures." In 2010 and 2011, our net income was \$18.9 million and \$21.9 million, respectively. In 2011, 34% of our revenue came from North America, and 66% came from the rest of the world.

Industry Overview: Commercial Digital Imagery

Images help businesses to communicate. Companies invest in imagery for the same reasons they invest in marketing, advertising and media production: to increase the impact, engagement and differentiation of their communications. From the smallest start-ups to the largest multinationals, companies pay to license photographs, videos and illustrations for use in print and digital marketing materials, corporate communications, external and internal websites, social networking sites, mobile applications, games and video. Imagery is also widely used in publishing books, eBooks, magazines and news articles. The demand for paid imagery in a commercial context comes primarily from:

- *Businesses:* Large corporations, small and medium-sized businesses and sole proprietorships that have marketing, communications and design needs;
- *Marketing Agencies:* Creative service providers such as advertising agencies, media agencies, graphic design firms, web design firms and freelance design professionals; and
- *Media Organizations:* Creators of print and digital content, from large publishers and broadcast companies to professional bloggers.

These professional users of imagery are extremely selective about where they source their images; images must be of high quality and must fulfill the licensing obligations necessary for use in a commercial context. In order to meet these requirements, commercial digital imagery is typically either specially commissioned or licensed from pre-shot image libraries. Pre-shot images are not created for a single, specific purpose at a user's expense; rather they are catalogued for review and selection by a range of potential users. Pre-shot images are generally considered a more affordable, less time-intensive substitute for commissioned imagery.

In a report published in October 2008, BCC Research estimated that the market for pre-shot commercial imagery was \$2.7 billion in 2008 and was projected to grow to \$5.1 billion by 2013. Within this market, BCC Research defines two segments: the "traditional stock photography" segment and the online marketplace segment. The traditional segment is characterized by higher-touch customer relationships, negotiated image prices, and stables of professional photographers who shoot content exclusively for one agency, some on a salaried basis. The online marketplace segment, in which Shutterstock has historically participated, is characterized by self-serve ecommerce with simple, inexpensive licensing options and a large number of contributors from around the world. BCC Research estimated that the online marketplace segment would grow 51% annually between 2008 and 2013 to a total of \$2.0 billion in 2013. In the same time period, the traditional pre-shot image market was estimated to grow 5% annually to a total of \$3.1 billion in 2013. As the quality, quantity and awareness of pre-shot image licensing options continue to increase over time, we believe that pre-shot images will satisfy an increasing portion of the demand for commissioned photography, which BCC Research estimates to be a \$12 billion market in 2013.

Since imagery is often a component of an advertising campaign or media production, the demand for commercial digital imagery is largely driven by the global marketing and publishing industries. In 2011,

more than \$466 billion was spent in the global advertising industry and \$379 billion in the global publishing industry (including books, newspapers and magazines), according to Zenith Optimedia and IBISWorld, respectively. We believe that disruptive technological trends are expanding the role of commercial digital imagery within these industries and driving growth in the demand and supply of images.

Disruptive Growth in Demand for Commercial Digital Imagery

Today, businesses are increasing their use of visual communications because the tools of communication and creativity are becoming easier and less expensive to use. For example, in the last five years, the number of public websites has grown 43% annually to more than 670 million, according to Netcraft. We expect this growth to continue. According to BIA Kelsey, more than 32% of small and medium-sized U.S. businesses, or SMBs, surveyed do not yet have a website. As technology continues to democratize visual communication, we believe that more and more customers will come into the market for commercial digital imagery.

In addition to growth in the number of customers that can make use of licensed imagery, trends in the type and frequency of visual communications that customers produce are driving increased image demand per customer. For example, in addition to operating commercial websites, more businesses are using image-rich digital marketing and communication channels, including email marketing, blogging, digital video and display advertisements; BIA Kelsey estimates that SMB advertising spend on online digital media will increase from \$5.4 billion in 2010 to \$16.6 billion in 2015, representing a compound annual growth rate of 25%. These visual and engaging forms of communication, often in the form of fresh, real-time and personally relevant content, require more images per communication and more frequent communications per customer. In order to keep pace with this increased volume of image needs, businesses are turning to more efficient and affordable sources of commercial imagery.

The historical expense and complexity of procuring high-quality imagery once meant that it was affordable only for the largest of businesses. A commissioned shoot often cost thousands of dollars, while traditional pre-shot photos still typically cost hundreds of dollars. Today, the rapidly increasing availability of low-cost, commercial-quality digital imagery through online marketplaces is allowing businesses of all sizes to quickly search for, find, and download affordable visual content under simple licensing models. This has made it economically viable for millions of SMBs to use commercial digital images for the first time, and allows larger enterprises and media agencies to more easily and affordably satisfy their increasing demand for images.

The growth in image demand for use in print and web communications is being compounded by trends in mobile and tablet internet browsing. Just as traditional broadband penetration enabled bandwidth-intensive media like images to become increasingly popular on the internet, so is the spread of mobile broadband driving images and video to become increasingly common elements of the mobile web. Mobile devices are becoming increasingly visual, with high-resolution screens and touch interfaces that are driving an expectation of higher quality and more visually compelling mobile content. As trends in mobile and tablet internet usage continue to drive demand for rich visual user experiences, we believe that there will be a resulting increase in demand for commercial digital imagery.

Disruptive Low-Cost Supply of Commercial Digital Imagery

Over the last several years there has been a dramatic increase in the number of people equipped to create high-quality digital imagery. Only a few years ago, the industry for commercial images relied on a small group of professionals who owned expensive equipment and could afford to pay high image development costs. Now, there are millions of professionals, semi-professionals and hobbyists who are able to capture, store and display high-quality digital images. With the proliferation of camera phones, social media and mobile broadband, people around the world are becoming increasingly accustomed to creating and consuming compelling imagery.

This change is being driven by rapid technological advances that are making the tools of creative production affordable to a much larger group of people. Most notably, affordable, high-quality digital cameras and video cameras are rapidly achieving mainstream adoption. For example, in 2010 more than 11.2 million digital SLR cameras were sold globally. Many were sold for less than \$500, whereas the first digital SLR camera was not available until 1991 and cost more than \$24,000. These digital cameras eliminate the marginal cost of image capture, which increases the number of images created per photographer. The editing and enhancing of digital images is seeing similar democratization; high-performance photo and video editing software is increasingly becoming easy and affordable enough to be used by non-professional photographers and videographers. In addition, the growing availability of broadband internet access around the world has made it easier for professionals and non-professionals to upload and deliver commercial-quality digital imagery to those who would pay to license it.

While substantially all commercial digital photographs that are consumed today have been created using a digital SLR camera, the image quality produced by smartphone cameras continues to improve. As advances in mobile photography continue to be introduced by smartphone manufacturers, we expect that the number of individuals equipped to create commercial digital imagery will continue to grow.

Increased Importance of Online Marketplaces

With the emergence of millions of new users and millions of new potential contributors, the global market for commercial digital imagery has become increasingly fragmented in both supply and demand. Online marketplaces for imagery use the disruptive power of the internet to enable these highly fragmented groups to interact with each other commercially; they encourage image submissions from hundreds of thousands of contributors around the world and then match the growing demand for commercial images with this increasingly available supply. The digital economics of online marketplaces enable affordable pricing that allows small and medium-sized businesses to participate in the market, and provide existing image buyers an alternative to the expensive and time-consuming processes of working with traditional image agencies or of commissioning custom images. By providing easy access to a wide range of low-cost, high-quality licensed images, and at the same time providing marketing, distribution and payment services for digital image creators, online marketplaces are becoming the centerpiece of a new dynamic in the market for commercial imagery.

Challenges in the Market for Commercial Digital Imagery

Challenges for Users

Even with the advent of websites capable of sourcing and providing commercial digital imagery, a large number of challenges remain for users:

- ***Limited selection.*** Many websites lack the broad and up-to-date content library required to satisfy the extensive variety of searches for digital imagery, themselves a reflection of the myriad requirements of business communications across industries and geographies.
- ***Difficulty in finding images quickly.*** Websites that do have a broad range of images often lack sophisticated tagging, search functionality and algorithms that enable users to find relevant images efficiently. An increased pace of image usage by customers means that many users of commercial imagery are under pressure to find a greater number of high-quality images faster.
- ***High price.*** Traditional image agencies that have migrated online typically charge more than \$100 per high resolution image. Commissioning a custom image is even more expensive, often costing thousands or tens of thousands of dollars.
- ***Complex pricing.*** On many websites, image prices can vary widely depending on criteria such as image size, file format, intended use, download frequency and type of contributor. Furthermore, many sites denominate the price of their images in "credits" rather than cash pricing, making it difficult

for users to evaluate how much they will actually pay for a given image. These complexities interfere with the creative process, adding an additional dimension beyond image relevance for users to consider during their image search process.

- **Lack of commercial quality.** Many websites and search engines, particularly those that host and display images for free, lack effective processes to ensure that images are of acceptable quality for use in a commercial setting; in other words, it can be difficult to find images with adequate aesthetic value that also have suitable technical qualities, including sufficient resolution, focus, lighting and composition.
- **Need for appropriate licensing and legal protection.** Complex copyright laws govern the use of images in a commercial context. Typically, images that are available for free online are not appropriately licensed for commercial use. Most websites that host and display images for free are not able to provide the trusted licensing assurances that come from closely evaluating all images that they make available. For example, most of these websites do not require a model release to be uploaded with each image that depicts a person. The need for appropriate image licensing has become more acute as the software to identify non-compliant imagery on the internet has become increasingly sophisticated, facilitating the monitoring of intellectual property rights. A growing number of users of commercial imagery require legal protections or indemnification from their content providers regarding proper licensing.

Challenges for Contributors

Creators of commercial digital imagery face significant obstacles to distributing their images to a large audience, discovering the kinds of content that customers demand, and monetizing their work efficiently, including:

- **Limited distribution and marketing reach.** Many digital image creators lack the resources to promote their content to the millions of individuals around the world who may be willing to pay for their images. Even if a contributor posts images on the web, it is expensive and difficult to generate meaningful traffic to the contributor's own website, especially when the content that a single contributor can offer represents a small fraction of the types of images a user might need.
- **Lack of ecommerce capabilities.** Many digital image creators lack the resources to establish the sophisticated, global ecommerce capabilities necessary to maximize their earnings. This is particularly true with respect to handling foreign languages, multiple currencies, diverse payment methods, customer support and fraud prevention.
- **Cumbersome upload, tagging and approval processes.** Contributors want to be able to upload and tag images quickly, easily and intuitively. Approval speed can also be important to a contributor, particularly for newsworthy or time-sensitive imagery.
- **Inadequate feedback, tools and information.** Digital image creators want to provide the content that users demand, but often lack the proper data, analytics and feedback to know what kind of content will sell well. Many websites do not provide adequate tools or lack sufficient volume of user data to be able to help contributors manage their portfolio or improve the commercial relevance of the images they produce.
- **Absence of community.** As social media and social networks continue to evolve, digital image creators are increasingly seeking specialized online communities where they can learn from their peers and take satisfaction in sharing their work.

The Shutterstock Solution

Key Benefits for Our Users

- *Millions of high-quality images available for commercial use* We provide a licensable digital content library of more than 19 million images and video clips, one of the largest libraries of its kind. In the twelve months ended December 31, 2011, we added an average of 1 million images per quarter. We source our content from over 35,000 approved image contributors in more than 125 countries and provide a broad, non-exclusive commercial or editorial license allowing customers to use an image in perpetuity in any geography or medium.
- *Superior search results* We consider our proprietary search interface and algorithms to be intuitive and efficient, allowing users with widely ranging search queries to quickly find the most suitable image for their needs. Our search algorithms automatically evolve based on customer usage data such as searches and downloads to produce more effective search results over time. We believe that, with one of the highest volumes of downloads of commercial images, we have the data to power the best search experience in our industry.
- *Low cost of images* Our affordable pricing models enable users to download images for as little as \$0.28 per image. Across our pricing plans, customers pay an average of less than \$3.00 per image. We believe that our disruptive pricing models increase the number of businesses that can participate in the market for commercial imagery and that they expand the volume of downloads that we deliver.
- *Creative freedom through simple pricing* Our subscription-based pricing model makes the creative process easier. Subscription users can download any image in our library at any resolution without worrying about incremental cost. This provides greater creative freedom and helps improve their work product. For users who need fewer images, we offer simple, affordable, On Demand pricing, which is presented as a flat rate across all images and sizes that we offer.
- *100% vetted, commercial-quality images* We are extraordinarily focused on maintaining the quality of the imagery in our library. Each of our images has been vetted by a member of our review team for standards of quality and relevance. We also leverage proprietary review technology to pre-filter images and enhance the productivity of our reviewers. Less than 20% of contributor applicants who applied in 2011 were approved as contributors to shutterstock.com, and less than 60% of images uploaded by approved contributors in 2011 satisfied our rigorous acceptance requirements.

- *Appropriately licensed images* We provide images that are appropriately licensed for commercial and editorial use. Our review process is designed to ensure that every image is appropriately licensed for its intended use. For example, a model release is required for all images that include a person with recognizable features and a property release is required for images of certain types of property and public places with photography policies. The strength of our review process enables us to offer \$10,000 of indemnification protection to every customer to cover legal costs or damages that may arise from their use of a Shutterstock image. In certain cases, we offer even greater indemnification through custom contracts.

Key Benefits for Our Contributors

- *Distribution to the largest, global audience* Our global marketplace provides image creators with access to millions of image users searching for imagery to license. Our flagship website operates globally in ten languages, allowing users around the world to easily search and access our entire collection of photos and videos online. In 2011, we received an average of more than 9 million monthly unique visitors and we delivered more than 58 million paid downloads. According to industry surveys, contributors who have images available on our site generate more income through Shutterstock than through any other sites with which they are registered.
- *Global ecommerce capabilities* Our global ecommerce platform allows us to process payments from users across the world in eight currencies, and pay our contributors monthly. Our users can currently transact on our flagship website in ten languages, and we provide fraud protection, refunds and other types of customer support via phone and email on behalf of our contributors.
- *Efficient uploading, tagging and review process* Based on user feedback and competitive benchmarking, we believe that we have the most efficient upload, tagging and review process of all of the major competitors in our industry. We are committed to continuously finding new and innovative ways to improve our contributor interface and to providing fast upload and review times—we typically process images within 36 hours of upload.
- *Robust feedback, tools and information* We provide valuable tools and insights to our contributors. Contributors can monitor download activity by image and geography as well as by self-defined image themes. We also provide data on search trends, allowing content creators to see which images and subjects are popular on our site, and to plan new content themes accordingly.
- *Specialized community* We operate a forum for the photographers, videographers and illustrators that make up our contributor community, allowing them to share tips with one another and to showcase their work. Our strict acceptance tests for new submissions provide contributors with a sense of challenge, accomplishment and exclusivity that makes our forums more useful and valuable.

Shutterstock's Competitive Strengths

In addition to the compelling value propositions and solutions that we offer to users and contributors, we believe that the following competitive advantages separate us from our competitors:

A Leading Global Marketplace with Strong Network Effects. As of April 30, 2012, our content library is one of the largest in the commercial digital imagery industry, with over 19 million photographs and illustrations and more than 500,000 video clips, from more than 35,000 contributors. In 2011, our contributors added more than 4 million new images to shutterstock.com. In the same twelve month period, shutterstock.com received an average of over nine million monthly unique site visitors. We believe that the growth of our content library and the growth in our site traffic support one another through a strong network effect—a broader selection of images from our contributors attracts more image users; this larger audience of paying users increases the amount spent in our marketplace and attracts more content submissions from a greater number of contributors.

Extensive Data and Superior Search. Since 2003, our users have executed hundreds of millions of searches and made more than 200 million paid image downloads from our content library. In 2011 alone, we delivered more than 58 million paid downloads. We believe that we have achieved one of the highest volumes of commercial image downloads of any company in our industry. This high volume of data, including data about the searches and downloads that our users execute, enables us to continuously improve our search algorithms. Furthermore, unlike the significant majority of images available for free online, each image in our library is tagged by its contributor with an average of 30 relevant keywords. As of December 31, 2011, the Shutterstock library contained more than 550 million contributor-generated image tags. This behavioral and keyword data, along with our investments in technology and our many years of experience in developing search algorithms designed specifically for the commercial digital imagery industry, increase the chances that our users find the image they require. We believe that a successful search experience is a critical determinant of customer satisfaction, and that our success in this area attracts more users to our websites.

Simple, Flexible and Low-Cost Pricing. Since inception, we have aimed to deliver exceptional value to our users through simple and flexible pricing options. In 2011, our customers' average cost per image was less than \$3.00. We were a pioneer of the subscription-based payment model in our industry. Subscription plans generate an important sense of creative freedom for our professional users, enabling them to try out multiple images without concern for the incremental cost of each download. Additionally, we offer simple and cost-effective On Demand purchase options for less frequent users. The simplicity and affordability of these plans have allowed us to broaden our existing and potential user base. These pricing models also benefit our contributors due to the high volume of paid downloads we are able to generate on their behalf. According to industry surveys, our contributors typically generate more income from their work through Shutterstock than through any other image provider.

Trusted, Actively Managed Marketplace. We are committed to providing a trusted online marketplace for appropriately licensed, high-quality commercial imagery. Our rigorous review process for new images ensures the integrity and quality of content in our library. Each image is individually examined by our team of trained reviewers to meet our high standards of quality and commercial viability. This review process is designed to minimize the legal risk to our users from inappropriately licensed imagery. As a result of the significant investment we make in our review processes, we are able to provide indemnification protection that covers up to \$10,000 should any legal costs or direct damages for claims arise from the use of an image or footage clip licensed through Shutterstock. In some cases, we offer even higher or unlimited levels of indemnification through custom contracts. We offer indemnification as a signal to our customers that they can trust the quality and licensability of content available through our marketplace; this sets us apart from many competitors and free sources of imagery.

Shutterstock's Growth Strategies

Acquire More Users and Contributors. We believe that there is a significant opportunity to grow our marketplace by increasing awareness of our brand and value proposition. For example, as of our last comprehensive customer survey, more than 70% of our customers work at companies with 20 employees or less; however, as of December 31, 2011, our active user base of U.S. SMBs represented less than 1% of the approximately 24 million SMBs that BIA/Kelsey estimates exist in the United States alone. We view this as a marketing opportunity. Much of our growth to date has been driven by word of mouth recommendations. We plan to continue to foster word of mouth by continuing to grow our library and deliver exceptional service. Additionally, we expect to increase our investments in online and offline marketing to help raise awareness in our core customer community as well as in additional market segments and geographies. In parallel, we intend to grow the depth and breadth of our content library by increasing awareness among potential contributors of the opportunity to share their creative work with a broader audience and generate income through Shutterstock.

Lead Innovation in User and Contributor Experience. We intend to build on our market-leading position by providing the best online experience for digital image users and contributors. With one of the largest collections of images in the industry, and one of the highest volumes of commercial image downloads, we believe that we have more information on marketplace and user needs than any of our competitors. We intend to use this advantage to continue to improve the quality of our search algorithms and user experience. We also plan to enhance the tools we offer contributors to help them establish their portfolio on our site, track their performance and explore opportunities to create content that customers need. Lastly, we will continue to improve the speed and usefulness of feedback that we provide contributors on the images that they submit, and facilitate new ways for them to participate in an engaged community of their peers.

Increase Localization. We are a global company, with contributors and users in more than 150 countries and a website that is available in ten languages. We plan to deepen our global penetration among users and contributors by improving the quality of the Shutterstock experience regardless of language or location. For example, we intend to increase the number of languages, currencies and payment methods that we support in order to serve an even larger global user base. Furthermore, we plan to improve the quality of non-English searches by increasing the sophistication with which we handle non-English image tagging and search ranking. Finally, there is significant unmet demand for localized content, such as images with locally relevant themes, objects and ethnicities. We plan to increase the geographical diversity of our contributor community so that we can provide the images demanded by our increasingly global user base.

Increase Our Penetration of Media Agencies and Large Enterprises. To date, the majority of our revenue has been generated from SMBs purchasing online, many of whom did not previously have access to low-cost commercial digital imagery. As of our last comprehensive customer survey, conducted in June 2011, less than 10% of our customers worked at companies with more than 500 employees. Furthermore, in 2011, less than 10% of our revenue was generated through direct sales to large organizations. We believe that we have a strong value proposition for large media agencies and enterprises, which account for a significant portion of the existing market for commercial digital imagery. These companies have historically purchased commercial imagery via sales-driven relationships and are used to complex licensing, limited image libraries and high prices. We are working to increase our revenue from these companies through a direct sales approach and by offering tailored purchase options.

Pursue Emerging Content Types. Alternative content types such as video footage represent significant opportunities for growth. According to MagnaGlobal, global online video advertising spending is expected to increase 27% annually from \$3.1 billion in 2010 to \$10.2 billion in 2015. Video has become a mainstream online activity globally, and is forecasted to expand to 62% of all consumer internet traffic by 2015, according to Cisco's Visual Networking Index. As user demand is increasing, the cost for contributors to create and produce professional video content is becoming increasingly affordable, most notably due to

digital SLR cameras that include HD video capabilities. Given the convergence of photography and video tools, we believe that our network effects in still image licensing will help propel our efforts in the video market. In addition to video, we see opportunities in other emerging digital content areas that may be relevant to our customers.

Products

We provide licensed content that our users purchase to enhance their visual communications. Our content library is one of the largest in the commercial digital imagery industry, with over 19 million images. We offer a variety of content types, including photography, illustrations, vector art and video footage. Users can search our library and preview watermarked versions of our content at no cost. They can then pay to license and download the images they need, either on a subscription basis or on a per-download basis. Shutterstock images are provided under a royalty-free non-exclusive license and, as an assurance of the integrity of our content, users are generally protected by up to \$10,000 in indemnification against any legal costs or damages that may arise from the licensed use of our images. Each image is available for high-resolution digital download and has been vetted by our team of reviewers to ensure that it meets our standards of quality and can be appropriately licensed for commercial or editorial use.

Photographs. We offer high quality photographs that cover a wide variety of subjects, including animals/wildlife, the arts, backgrounds/textures, beauty/fashion, buildings/landmarks, business/finance, celebrities, education, food and drink, healthcare/medical, holidays, nature, objects, people, religion, science, sports/recreation, technology and transportation. The significant majority of our photography collection is made up of creative images that can be used in both commercial and editorial contexts. Images that are marked as editorial-only, such as photographs of celebrities and newsworthy events, which constitute fewer than 5% of our total images, cannot be used to promote a product or service; instead these images are licensed for use in editorial settings such as newspapers, blogs and magazines. Photographs are available in a variety of sizes including small files that are appropriate for mobile browsing and large files appropriate for large format prints and high-resolution displays. As of December 31, 2011, photographs made up 69% of our library.

Illustrations and Vector Art. In addition to photographic images, we also offer images that have been created using illustration tools and software. These images are made up of two types: illustrations (raster graphics) and vector art (vector graphics). Raster graphics are stored as a fixed set of pixels, whereas vector graphics are stored using geometric modeling. Since vectors are described using geometric data instead of fixed pixels, vectors can be scaled to any size without loss of resolution or quality. As of December 31, 2011, illustrations and vector art made up 28% of our library.

Video Footage. For users engaged in producing video advertisements, commercial motion pictures, television programming, video games, interactive applications and other video-based media, we also provide video footage. Footage clips are available in a variety of formats and sizes, including High Definition (HD). As of December 31, 2011, our video footage library contained more than 400,000 video clips and made up 3% of our library.

Purchase Options

Shutterstock strives to offer simple, straightforward purchase options that remove complexity from a customer's workflow. We currently offer the following options:

Subscription: Shutterstock's signature and highest grossing purchase option is its 25-a-day subscription. This purchase option allows a user to download up to a total of 25 photos, vectors or illustrations per day under Shutterstock's Standard License, regardless of image size. Subscription customers can download and experiment with multiple images at no extra cost, which removes friction

from their creative process. Subscriptions can be purchased in 30 day, 90 day, 180 day and 365 day increments and are paid in advance. This purchase option represented 58% of our revenue in 2011.

On Demand: Customers can also buy images in fixed packages. For example, Shutterstock offers On Demand packages that include 1 image, 5 images or 25 images under Shutterstock's Standard License. Shutterstock charges the same price for illustrations and vectors as it does for photographs and it does not charge more for a full resolution image than a small image. This offers customers the simplicity of being able to license any size of any still image in our library for the same price. Once a customer purchases images On Demand from Shutterstock, he or she has up to one year to download those images before they expire. While the vast majority of On Demand revenue comes from Shutterstock's Standard License packages, other forms of On Demand purchases include Enhanced Licenses (for customers who need broader licensing rights than are offered under Shutterstock's Standard License) and images licensed through BigStock. Together, all of our On Demand purchase options represented 34% of revenue in 2011.

Other Purchase Options: Shutterstock provides a number of other purchase options which together represented less than 8% of our revenue in 2011. These purchase options include custom accounts (for customers that need multi-seat access, invoicing, unlimited indemnification or a higher volume of images) and video footage (which are sold individually and in fixed packages).

Users

We serve a wide variety of companies across numerous industries, organizational sizes and geographies. As of December 31, 2011, our customer database contained more than 3.0 million user accounts. Of these, more than 550,000 users contributed to revenue in the twelve months ended December 31, 2011. Due to our large number of customers and the way that our products are sold, we do not have any material customer concentration; our largest single customer made up less than 1% of revenue in 2011. Our users tend to fit into three categories: businesses, marketing agencies and media organizations.

Businesses. Business customers require high-quality, commercially-licensed digital imagery for a wide range of communication materials. Such communication materials may be intended for internal or external use and include websites, print and digital advertisements, annual reports, brochures, employee communications, newsletters, email marketing campaigns and presentations. Shutterstock's business users range from sole proprietors to *Fortune 500* companies.

Marketing Agencies. Marketing agencies require high-quality, commercially-licensed digital imagery to incorporate in the work they produce for their clients' business communications. Whether providing graphic design, web design, interactive design, advertising, public relations, communications or marketing services, Shutterstock's marketing users range from independent freelancers to the largest global agencies.

Media Organizations. Media professionals require high-quality, commercially-licensed digital imagery to incorporate in the content they produce, including newspapers, books, magazines, digital publications, television and film. They also require high quality images to market their products effectively. Shutterstock's media users range from independent bloggers to multi-national publishing and broadcast organizations.

Content Contributors and Content Review Process

The content we provide to our users is created by a community of contributors from around the world and is vetted by our specialized team of image and video reviewers. Whether photographers, videographers, illustrators or designers, our community of more than 35,000 approved contributors range from part-time enthusiasts to full-time professionals, and all of them must meet high standards in order to work with Shutterstock.

In order to become a contributor, an individual must submit an application that includes a portfolio of images or videos. Of the 335,000 contributor accounts that have been created, only 35,000 contributors have been approved as of December 31, 2011. Once accepted by Shutterstock's review team, contributors can upload as many images as they would like; however, every submitted image is reviewed and either accepted or rejected by our team to ensure that images in our library meet certain standards of aesthetic and technical quality. As of April 30, 2012, over 36 million images had been submitted to our review team by approved contributors and, of those, only 19 million, or approximately 50%, had been approved and made available in our marketplace today. Each image that is rejected by our review team is tagged with at least one rejection reason that is communicated to the submitting contributor to help him or her to improve and to give insight into our review standards. Such rejection reasons include focus, composition, poor lighting, trademark infringement and limited commercial value. We combine proprietary technology and highly trained content review staff to deliver sophisticated yet efficient image review—we typically process images within 36 hours of upload.

Contributors are required to associate keywords with each image they submit in order to make their images more easily found using our search algorithms. Keywords usually contain both descriptive terms that literally identify the content of an image (e.g., "padlock") and conceptual terms that describe what an image might convey (e.g., "security"). We have over 550 million contributor generated keywords in our database, an average of approximately 30 keywords per image.

All images accepted into our collection are added to our website where they are available for search, selection, license and download. Contributors are paid monthly based on how many times their images have been licensed in the previous month. Due to our large number of contributors, we do not have any material content supply concentration; the content contributed by our five highest-earning contributors was together responsible for less than 4% of downloads in 2011.

Shutterstock provides different earnings structures for photographs, illustrations and vector art, and for video footage:

Photographs, Illustrations and Vector Art. Contributors of photographs, illustrations and vector art are paid based on the number of times that their images have been licensed and downloaded. The vast majority of image downloads are licensed under our Standard License. The amount that a contributor of a photograph or vector receives per Standard License typically ranges from \$0.25 per image downloaded to \$2.85 per image downloaded. The exact amount is determined by our published earnings schedule and depends on the lifetime earnings of the contributor on our website and the purchase option under which an image was licensed. When images are licensed under our Enhanced License, the contributor of that image earns \$28.00 per image downloaded. When images are licensed under other purchase options or license types, contributors earn between 20% and 30% of the sale price of each image based on his or her lifetime earnings as a contributor.

Video Footage. Contributors of video footage are also paid based on the number of times that their video clips have been licensed and downloaded. When a video clip is downloaded the contributor is typically paid 30% of the sale price with certain minimum amounts per download.

Technology and Infrastructure

Our business is built on a foundation of technology and all of our products and services are made possible by the proprietary technology and robust infrastructure that we have developed. We believe that delivering intuitive, fast and effective user experiences, supported by robust and scalable technology platforms, is critical to our success.

We employ technology to support both our public facing websites and our back-office systems. We use a combination of proprietary technologies and commercially available licensed technologies, including open source software. We focus our internal development efforts on creating and enhancing the

specialized proprietary software that is unique to our business and we leverage commercially available and open source technologies for our more generalized needs.

Our customer-facing software enables users to search millions of digital images and then select, organize, pay for, license and download the images that they would like to use. Our proprietary search algorithms evolve automatically based on behavioral data, which means that each search and download that a user performs on our website gives our search engine more information with which to improve. Having delivered over 200 million paid downloads since 2003, the data that we have collected and the search technology that it powers are an important and proprietary asset. We have also invested in making our ecommerce platform a global one, allowing customers to search and make purchases in ten languages and eight currencies.

Our contributor-facing software enables users to apply to become a contributor, upload and tag images and videos, receive feedback on their submissions from our review team, see reports on earnings and payouts, and participate in online discussion forums with other contributors. We have also developed proprietary tools to help our contributors improve their craft, including our Keyword Trends Tool that allows contributors to see what terms customers are searching for and how those search terms are trending over time. This tool allows contributors to anticipate demand and generate images that customers will want to license, and is another example of how we combine software and large-scale proprietary datasets to deliver value to our users.

Our internal software enables the technological and business processes necessary to deliver a superior experience for customers and contributors. This includes a content review system that allows our review team to efficiently and accurately review every single image that is made available on our websites. It also includes applications that enable customer and contributor support, intellectual property rights and license tracking, centralized invoicing and sales order processing, customer database management, language translation, global contributor payouts, compliance, finance and accounting functions.

Our systems infrastructure is hosted by industry-leading third-party hosting providers that offer 24-hour monitoring, high-speed network access, power generators and back-up systems. We maintain multiple production datacenters to provide rapid content delivery to our customers and also to support business continuity in the event of an emergency. We also use content delivery network solutions to ensure fast access to our content around the world. Network, website, service and hardware-level monitoring, coupled with remote-content monitoring, allow our systems to maintain a high level of uptime and availability with high-performance delivery.

Our development teams employ Agile Development methodologies to increase the speed and effectiveness of our technology efforts; we focus on iterative and incremental development processes through which cross-functional teams release code nearly every day and manage their own progress in two-week cycles known as "sprints." We view our investments in technology as being core to our long-term success and we intend to continue to investigate, develop and make capital investments in technology and operational systems that support our current business and new areas of potential business expansion.

Brands

Shutterstock is our flagship brand and the significant majority of our revenues are generated via shutterstock.com. We also operate a business called Bigstock which Shutterstock acquired in 2009. We have maintained these as separate brands in order to allow us to target two different customer segments. While Shutterstock generates the majority of its revenue from higher-volume image users and subscription-based pricing models, Bigstock targets lower-volume image users and emphasizes simple per-image pricing. As of April 30, 2012, Shutterstock's image library contained more than 19 million images. This figure does not include Bigstock's image library which contained more than 10 million images, many of which are also available through Shutterstock.

Marketing

We reach new customers through a diverse set of marketing channels including paid search, online display advertising, print advertising, tradeshows, email marketing, direct mail, affiliate marketing, public relations, social media and partnerships. Marketing activities aim to raise awareness of our brands and attract paying users to our websites by promoting the key value propositions of our offerings: diverse and high quality content, intuitive and efficient interfaces and market-leading value.

In addition to generating more revenue, the resources we devote to marketing help us generate more earnings for our contributors. This helps attract more content, which in turn helps us convert and retain even more paying users. Furthermore, the high degree of satisfaction that users have with our product drives word of mouth recommendations, which helps our marketing efforts attract an even broader audience than we reach directly. In these ways, we believe our marketing efforts have a self-reinforcing effect which powers the growth and success of our marketplace.

Sales and Customer Support

The significant majority of our revenue is generated via self-serve ecommerce. We encourage our users to take advantage of the comprehensive search capabilities of our websites, our credit-card-based payment options and the immediate digital delivery of licensed images. We believe the ability to search for, select, license and download content over the internet offers our users convenience and speed, and enables us to achieve greater economies of scale.

Direct communication with our customers, however, remains a significant component of our customer support and sales strategy. Our customer support and sales team, which is headquartered in New York City, is available to assist users via email and by phone in ten languages. In addition to handling inbound customer support and sales inquiries, we also reach out proactively to potential high volume customers and offer them custom accounts to meet their needs. Outbound sales activities currently contribute a small but growing percentage of Shutterstock's overall revenue.

Product Rights and Intellectual Property

Product Rights and Indemnification. All of the images that Shutterstock makes available to users are offered under a royalty-free license. This means that once a customer has purchased an image license, that customer can use the associated image in accordance with the license terms in perpetuity, without having to pay any ongoing royalties. This image license is non-exclusive, meaning that multiple customers can license the same image. Furthermore, we do not require that contributors of content to our sites provide their content to us on an exclusive basis.

Shutterstock represents to its users that unaltered images downloaded and used in compliance with our websites' terms of service and applicable law will not infringe any copyright, trademark or other intellectual property right, nor will such unaltered images violate any third parties' rights of privacy or publicity, violate any U.S. law, be defamatory or libelous, or be pornographic or obscene. Furthermore, provided that a user has not breached Shutterstock's license agreement, Shutterstock agrees to defend, indemnify, and hold users harmless for damages up to \$10,000 per user. We also offer some of our customers custom contracts with either larger indemnification amounts or unlimited indemnification. Such indemnification applies only to claims for damages directly attributable to Shutterstock's breach of the foregoing representations, and includes expenses arising out of any actual or threatened lawsuit, claim, or legal proceeding alleging that the possession, distribution, or use of images downloaded and used by users pursuant to our terms of service violate Shutterstock's representations. To date, Shutterstock has not incurred any material financial costs as a result of this indemnification. We maintain commercially reasonable insurance to protect against the costs of intellectual property litigation.

Intellectual Property. We protect our intellectual property through a combination of patents, trademarks and domain name registrations, copyrights and trade secrets.

We own numerous trademarks that are important to our business. Our trademarks registered in the United States and several other jurisdictions include: "Shutterstock," "Bigstock," and the Shutterstock logo. We will pursue additional trademark registrations to the extent that we create any additional registrable trademarks or logos. We are the registered holder of a variety of domestic and international domain names that include "Shutterstock," "Bigstock" and multiple variations thereof. We have successfully recovered infringing domain names in the past and will continue to enforce our rights in the future.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees, consultants, contractors, and vendors. Our employees and certain contractors are also subject to nondisclosure agreements containing an intellectual property assignment provision. In this way, we have historically chosen to protect our software and other technological intellectual property as trade secrets. We further control the use of our proprietary technology and intellectual property through provisions in our websites' terms of use.

Competition

The market for commercial digital imagery is highly competitive. We believe that the principal competitive factors are:

- the quality, relevance and breadth of the images in a company's collections;
- the accessibility of imagery, in the form of the speed and ease of search and fulfillment;
- effective use of current and emerging marketing channels;
- effective use of current and emerging technology;
- pricing and licensing models, policies and practices;
- brand name recognition;
- company reputation;
- customer service and customer relationships;
- security, reliability and data protection; and
- the global nature of a company's interfaces and marketing efforts, including local languages, currencies, and payment methods.

Some of our current and potential significant competitors include:

- other online marketplaces for imagery such as iStockphoto, Fotolia, and Dreamstime;
- traditional stock content providers such as Getty Images and Corbis Corporation;
- specialized visual content companies that are established in local, content or product-specific market segments such as Reuters Group PLC, the Associated Press, and Thought Equity Motion;
- websites focused on image search and discovery such as Google Images;
- websites for image hosting, art and related products such as Flickr;
- social networking and social media services such as Facebook; and
- commissioned photographers and photography agencies.

Lastly, we compete with the individuals who create their own imagery or do not consume licensed images because it is too expensive or because they are not aware of how to do so.

Government Regulation

The legal environment of the internet is evolving rapidly in the United States and elsewhere. The manner in which existing laws and regulations will be applied to the internet in general, and how they will relate to our business in particular, is unclear in many cases. For example, we often cannot be certain how existing laws will apply in the online context, including with respect to such topics as privacy, defamation, pricing, credit card fraud, advertising, taxation, sweepstakes, promotions, subscription-based billing, content regulation, quality of products and services and intellectual property ownership and infringement.

Numerous laws have been adopted at the national and state level in the United States that could have an impact on our business. These laws include the following:

- The Controlling the Assault of Non-Solicited Pornography And Marketing Act of 2003 and similar laws adopted by a number of states, which are intended to regulate unsolicited commercial e-mails, create criminal penalties for unmarked sexually-oriented material and e-mails containing fraudulent headers and control other abusive online marketing practices.
- The Children's Online Privacy Protection Act and the Prosecutorial Remedies and Other Tools to End Exploitation of Children Today Act of 2003, which are intended to restrict the distribution of certain materials deemed harmful to children and impose additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances.
- Several states have adopted, and other states are expected to enact, statutes that require online services to report certain breaches of the security of personal data, and to report to consumers when their personal data might be disclosed to direct marketers.

To resolve some of the remaining legal uncertainty, we expect new laws and regulations to be adopted over time that will be directly applicable to the internet and to our activities. Any existing or new legislation applicable to Shutterstock could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations, and could dampen growth in the use of the internet in general.

We post our privacy policies and practices concerning the use and disclosure of user data on our websites. Any failure by us to comply with our posted privacy policies, Federal Trade Commission requirements or other privacy-related laws and regulations could result in proceedings by governmental or regulatory bodies that could potentially harm our business, results of operations and financial condition. In this regard, there are a large number of legislative proposals before the United States Congress and various state legislative bodies regarding privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could harm our business through a decrease in user registrations and revenues. These decreases could be caused by, among other possible provisions, the required display of disclaimers or other requirements before users can utilize our services.

Due to the global nature of the internet, it is possible that the governments of other states and foreign countries might attempt to regulate digital transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. Any such developments could harm our business, operating results and financial condition. We may be subject to legal liability for our online services. The law relating to the liability of providers of online services for activities of their users is currently unsettled both within the United States and abroad. Claims may be threatened against us for aiding and abetting, defamation, negligence, copyright or trademark

infringement, or other reasons based on the nature and content of information to which we provide links or that may be posted online.

Legal Proceedings

From time to time, third parties assert claims against us regarding intellectual property rights, invasion of privacy and matters arising out of the ordinary course of business. Although we cannot be certain of the outcome of any litigation or the disposition of any claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our business, results of operations, financial condition or cash flows. In addition, in the ordinary course of our business, we are also subject to periodic threats of lawsuits, investigations and claims. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Employees

As of December 31, 2011, we employed 167 full-time employees, including 73 engaged in research and development, 61 engaged in sales, marketing and support, 13 engaged in content operations, and 20 engaged in general and administrative functions. Of these employees, 165 were located in the United States, primarily in New York, New York. In addition to our full-time employees, we also employ the services of a number of contractors, including 36 contractors focused on content review as of December 31, 2011. Of these contractors, 19 contractors were located in the United States, and 17 were located outside of the United States, primarily in Canada and the United Kingdom. None of our employees is represented by a labor union, and we consider our company culture and employee relations to be strong.

Facilities

In November 2008, we entered into a lease effective through November 2013 for approximately 12,000 square feet of office space in New York City to house our principal offices. In November 2010, we entered into a sublease effective through June 2015 for an additional 12,000 square feet of office space in the same building. In March 2012, we amended our lease to add 7,800 square feet of space in the same building, effective through November 2013.

We believe that our existing facilities are adequate for our current needs and that suitable additional or alternative space will be available on commercially reasonable terms to meet our future needs.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of the date hereof:

Name	Age	Position(s)
Jonathan Oringer	38	Founder, Chief Executive Officer and Chairman of the Board
Thilo Semmelbauer	46	President and Chief Operating Officer
Timothy E. Bixby	47	Chief Financial Officer
James Chou	51	Chief Technology Officer
Steven Berns ⁽¹⁾⁽²⁾	47	Director
Jeff Epstein ⁽¹⁾⁽³⁾	55	Director
Thomas R. Evans ⁽¹⁾⁽²⁾⁽³⁾	57	Director
Jeffrey Lieberman	38	Director
Jonathan Miller ⁽²⁾⁽³⁾	55	Director

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Nominating and Corporate Governance Committee

Executive Officers

Jonathan Oringer has served as our Founder, Chief Executive Officer and Chairman of the Board since founding the company in 2003. Prior to founding Shutterstock, Mr. Oringer served as a director of several private companies. Mr. Oringer holds a B.S. in computer science and mathematics from State University of New York at Stony Brook and an M.S. in computer science from Columbia University. The board of directors believes that Mr. Oringer's experience in the commercial digital imagery industry, his experience with entrepreneurial and technology companies and his extensive knowledge of our company as its founder qualify him to serve as chairman of our board of directors.

Thilo Semmelbauer has served as our President and Chief Operating Officer since April 2010. Prior to joining Shutterstock, Mr. Semmelbauer served as Executive Vice President of TheLadders.com, Inc., a career management company, from June 2009 to March 2010. Prior to TheLadders, Mr. Semmelbauer was with Weight Watchers International for 8 years, serving as Global Chief Operating Officer from December 2006 to July 2008, Chief Operating Officer, North America, from March 2004 to December 2006, and Co-Founder and President of WeightWatchers.com from February 2000 to March 2004. Prior to Weight Watchers, Mr. Semmelbauer served as a Principal at The Boston Consulting Group. Mr. Semmelbauer holds an A.B. in engineering and computer science from Dartmouth College and a Master of Science in management and electrical engineering from Massachusetts Institute of Technology.

Timothy E. Bixby has served as our Chief Financial Officer since June 2011. Prior to joining Shutterstock, Mr. Bixby served as the Chief Financial Officer and a director of LivePerson, Inc., a provider of hosted software products that facilitate real-time sales and customer service, from June 1999 to May 2011, and as President of LivePerson from March 2001 to May 2011. Prior to LivePerson, Mr. Bixby served as Vice President of Finance for Universal Music & Video Distribution Inc., a manufacturer and distributor of recorded music and video products. Mr. Bixby holds an A.B. in mathematics from Dartmouth College and an M.B.A. from Harvard University.

James Chou has served as our Chief Technology Officer since February 2011. Prior to joining Shutterstock, Mr. Chou served as Senior Vice President and Chief Technology Officer of American Greetings Interactive, the interactive media division of American Greetings Corporation, from November

2008 to September 2010. Prior to American Greetings, Mr. Chou was Executive Vice President, Technology, at Apani Networks, a provider of internet security software, from June 2004 to October 2008. Mr. Chou has also held positions at Apple, Inc., JP Morgan Chase & Co., and Accenture Plc. Mr. Chou holds a B.S. in electrical engineering from State University of New York at Buffalo and an M.B.A from Duke University.

Directors

Steven Berns has served as a member of our board of directors since March 2012. Since May 2009, Mr. Berns has served as the Executive Vice President and Chief Financial Officer of Revlon, Inc., and served as its Treasurer from May 2009 to February 2010. Mr. Berns previously served as Chief Financial Officer of Tradeweb, LLC from November 2007 to May 2009. From November 2005 until July 2007, Mr. Berns served as President, Chief Financial Officer and Director of MDC Partners Inc, and from September 2004 to November 2005, Mr. Berns served as its Vice Chairman and Executive Vice President. Prior to that, Mr. Berns was the Senior Vice President and Treasurer of The Interpublic Group of Companies, Inc. from August 1999 until September 2004. Before that, Mr. Berns held a variety of positions in finance with Revlon, Inc. from April 1992 until August 1999. Prior to joining Revlon, Inc., Mr. Berns worked at Paramount Communications Inc. and at a predecessor public accounting firm of Deloitte & Touche. Mr. Berns formerly served as a director of LivePerson, Inc. Mr. Berns holds a B.S. from Lehigh University and an M.B.A. from New York University and is a Certified Public Accountant. The board of directors believes that Mr. Berns' financial and business expertise, including his background as a senior executive at one of the world's largest advertising holding companies, chief financial officer of several corporations, and his service on the boards of directors and audit committees of public companies, qualifies him to serve as a member of our board of directors.

Jeff Epstein has served as a member of our board of directors since March 2012. Mr. Epstein has served as a director of priceline.com since April 2003. Mr. Epstein was Executive Vice President and Chief Financial Officer of Oracle Corporation, an enterprise software company, from September 2008 to April 2011. Mr. Epstein served as Executive Vice President and Chief Financial Officer of Oberon Media, Inc., from April 2007 to June 2008. From June 2005 until its sale in March 2007, Mr. Epstein was Executive Vice President and Chief Financial Officer of ADVO, Inc. Mr. Epstein is a member of the Audit and Compliance Committee of the Stanford University Hospital and a member of the Management Board of the Stanford University Graduate School of Business. Mr. Epstein is a Senior Advisor at Oak Hill Capital Partners and an Executive in Residence at Bessemer Venture Partners. Mr. Epstein holds a B.A. from Yale University and an M.B.A. from Stanford University. The board of directors believes that Mr. Epstein's financial and business expertise, including his background as chief financial officer of the world's largest enterprise software company, and his service as a senior executive at companies in the internet and advertising industries, qualifies him to serve as a member of our board of directors.

Thomas R. Evans has served as a member of our board of directors since March 2012. Mr. Evans has served as President and Chief Executive Officer and a director of Bankrate, Inc. since 2004. From August 1999 to August 2003, Mr. Evans served as Chairman and Chief Executive Officer of Official Payments Corp., specializing in processing consumer credit card payments for government taxes, fees and fines. From 1998 to 1999, Mr. Evans was President and Chief Executive Officer of GeoCities Inc., a community of personal websites. From 1991 to 1998, Mr. Evans was President and Publisher of *U.S. News & World Report*. In addition to his duties at *U.S. News & World Report*, Mr. Evans served as President of *The Atlantic Monthly* (1996-1998) and as President and Publisher of *Fast Company* (1995-1998), a magazine launched in 1995. Mr. Evans also serves as a director of Future Fuel Corp. and previously served as a director of Navisite, Inc. Mr. Evans holds a B.S. in business administration from Arizona State University. The board of directors believes that Mr. Evans' business experience, particularly as a senior executive in the internet and media industries, and his service on the board of directors of public companies, qualifies him to serve as a member of our board of directors.

Jeffrey Lieberman has served as a member of our board of directors since June 2007. Mr. Lieberman is a Managing Director of the venture capital firm Insight Venture Partners, or Insight, where he has been employed since June 1998. Prior to joining Insight, Mr. Lieberman was a management consultant at the New York office of McKinsey & Company, where he focused on strategic and operating issues in the financial services, technology and consumer products industries. Mr. Lieberman also serves as a director of several private companies. Mr. Lieberman holds a BAS in systems engineering and in BA in economics from the Engineering School and Wharton School of the University of Pennsylvania respectively. The board of directors believes that Mr. Lieberman's experience with digital media, entertainment and online technology companies, his extensive knowledge of our company as one of our original investors, and his service on the board of directors of other companies qualifies him to serve as a member of our board of directors.

Jonathan Miller has served as a member of our board of directors since March 2012. Mr. Miller serves as the Chairman and Chief Executive Officer of the Digital Media Group at News Corp. and has been its Chief Digital Officer since April 2009. Mr. Miller was the Founder and Partner at Velocity Interactive Group, an investment firm focusing on internet and digital media, from its inception in February 2007 to April 2009. Prior to founding Velocity, Mr. Miller served as the Chief Executive Officer of America Online, Inc., or AOL. Prior to joining AOL, Mr. Miller served as Chief Executive Officer and President of USA Information and Services. Mr. Miller previously served as a director of LiveNation Entertainment, Inc. and Ticketmaster prior to its merger with LiveNation. Mr. Miller is a trustee of the American Film Institute and The Paley Center for Media. Mr. Miller holds a B.A. from Harvard College. The board of directors believes that Mr. Miller's business expertise, particularly as a senior executive at some of the largest digital media companies in the world, and his service on the boards of directors of various public companies, qualifies him to serve as a member of our board of directors.

Board of Directors

Our board of directors currently consists of six members. Our bylaws permit our board of directors to establish by resolution the authorized number of directors, and six directors are currently authorized.

Director Independence

Upon completion of this offering, our common stock will be listed on the New York Stock Exchange, or the NYSE. Under the rules of the NYSE, independent directors must comprise a majority of a listed company's board of directors within a specified period of the completion of this offering. In addition, the rules of the NYSE require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. Under the rules of the NYSE, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In order to be considered to be independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that each of Messrs. Berns, Epstein, Evans and Miller, representing four of our six directors, do not have a relationship that would interfere with the exercise of independent judgment in

carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the NYSE.

Our board of directors also determined that Messrs. Berns, Evans and Epstein who comprise our audit committee, Messrs. Berns, Evans and Miller who comprise our compensation committee and Messrs. Epstein, Evans and Miller who comprise our nominating and corporate governance committee, satisfy the independence standards for those committees established by applicable SEC rules and the rules of the NYSE. In making this determination, our board of directors considered the relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below.

Audit Committee

Our audit committee is comprised of Messrs. Berns, Evans and Epstein, each of whom is a non-employee member of our board of directors. Mr. Berns is our audit committee chairman and is our audit committee financial expert, as currently defined under the SEC rules. Prior to the completion of this offering, our board of directors will adopt a charter for our audit committee, which will be available on our website upon consummation of this offering. Our audit committee will be responsible for, among other things:

- reviewing and approving the selection of our independent auditors, and approving the audit and non-audit services to be performed by our independent auditors;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing the adequacy and effectiveness of our internal control policies and procedures;
- discussing the scope and results of the audit with the independent auditors and reviewing with management and the independent auditors our interim and year-end operating results; and
- preparing the audit committee report that the SEC requires in our annual proxy statement.

Compensation Committee

Our compensation committee is comprised of Messrs. Berns, Evans and Miller each of whom is a non-employee member of our board of directors. Mr. Evans is our compensation committee chairman. Prior to the completion of this offering, our board of directors will adopt a charter for our compensation committee, which will be available on our website upon consummation of this offering. Our compensation committee will be responsible for, among other things:

- overseeing our compensation policies, plans and benefit programs;
- reviewing and approving for our executive officers: the annual base salary, the annual incentive bonus, including the specific goals and amount, equity compensation, employment agreements, severance arrangements and change in control arrangements, and any other benefits, compensations or arrangements;

- preparing the compensation committee report that the SEC requires to be included in our annual proxy statement; and
- administrating our equity compensation plans.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is comprised of Messrs. Evans, Epstein and Miller, each of whom is a non-employee member of our board of directors. Mr. Miller is the chairman of our nominating and corporate governance committee. Prior to the completion of this offering, our board of directors will adopt a charter for our nominating and governance committee, which will be available on our website upon consummation of this offering. Our nominating and governance committee will be responsible for, among other things:

- identifying, evaluating and recommending to the board of directors for nomination candidates for membership on the board of directors;
- preparing and recommending to our board of directors corporate governance guidelines and policies; and
- identifying, evaluating and recommending to the board of directors the chairmanship and membership of each committee of the board of directors.

We intend to post the charters of our audit, compensation, and nominating and governance committees, and any amendments that may be adopted from time to time, on our website.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is, or has at any time during the past year been, one of our officers or employees. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Code of Business Conduct and Ethics

We plan to adopt a code of business conduct and ethics that will apply to all of our employees, including our executive officers and directors, and those employees responsible for financial reporting. The code of business conduct and ethics will be available on our website at www.shutterstock.com. We expect that, to the extent required by law, any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

Director Compensation

Prior to January 1, 2012, we did not provide any compensation to non-employee members of our board of directors for service on our board of directors and none of our non-employee directors received any cash or equity compensation during the year ended December 31, 2011. We did, however, reimburse our directors for their expenses incurred in connection with attending board and committee meetings and fulfilling their duties as members of our board of directors.

Effective January 1, 2012, our non-employee directors are entitled to the following compensation:

Annual retainer	\$15,000
Annual retainer for board committee chairperson	
Audit committee	\$10,000
Compensation committee	\$5,000
Attendance fee per board or committee meeting	\$1,000
VAR award for new directors ⁽¹⁾	20,000 units

(1) Initial VAR awards for new directors are granted with an exercise price equal to the fair market value on the date of grant and are subject to vesting over a period of four years, in equal annual installments.

Upon completion of this offering, directors will be entitled to equity awards pursuant to our 2012 Omnibus Equity Incentive Plan. See "Executive Compensation—Employee Benefit and Stock Plans—2012 Omnibus Equity Incentive Plan."

In addition, we will continue to reimburse our non-employee directors for reasonable travel expenses and other out-of-pocket costs incurred in connection with attending board and committee meetings and fulfilling their duties as members of our board of directors.

EXECUTIVE COMPENSATION**2011 Summary Compensation Table**

The following table sets forth information regarding the compensation awarded to, earned by, or paid to each of our executive officers during the year ended December 31, 2011. As an emerging growth company, we have opted to comply with the executive compensation disclosure rules applicable to "smaller reporting companies" as such term is defined in the rules promulgated under the Securities Act, which require compensation disclosure for our principal executive officer and the two most highly compensated executive officers other than our principal executive officer. We have voluntarily decided to also include compensation disclosure for our Chief Financial Officer. Throughout this prospectus, these four officers are referred to as our named executive officers.

<u>Name and Principal Position</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (1)</u>	<u>Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)(2)</u>	<u>Total (\$)</u>
Jonathan Oringer, <i>Chief Executive Officer</i>	\$ 250,000	—	—	—	—	—	—	\$ 250,000
Thilo Semmelbauer, <i>President and Chief Operating Officer</i>	\$ 312,115	—	—	—	\$ 200,000	—	\$ 9,363	\$ 521,478
James Chou, <i>Chief Technology Officer</i> ⁽³⁾	\$ 226,000	—	—	(3)	\$ 85,000	—	\$ 6,780	\$ 317,780
Timothy E. Bixby, <i>Chief Financial Officer</i> ⁽⁴⁾	\$ 172,500	—	—	(4)	\$ 105,000	—	\$ 4,312	\$ 281,812

(1) Includes amounts earned in 2011 and paid in 2012.

(2) Comprised of company match of 401(k) plan contributions paid in 2012.

(3) Mr. Chou's employment with Shutterstock began on February 11, 2011. As noted in the Outstanding Equity Awards at Fiscal Year-End table below, Mr. Chou received two VAR Awards during fiscal year 2011, for which the grant date fair value is \$0 because the right to exercise the award is subject to the occurrence of a change of control. If the right to exercise the VARs were not limited by the occurrence of a change of control, the grant date fair value reported in the Option Awards column would be \$847,500.

(4) Mr. Bixby's employment with Shutterstock began on June 13, 2011. As noted in the Outstanding Equity Awards at Fiscal Year-End table below, Mr. Bixby received two VAR Awards during fiscal year 2011, for which the grant date fair value is \$0 because the right to exercise the award is subject to the occurrence of a change of control. If the right to exercise the VARs were not limited by the occurrence of a change of control, the grant date fair value reported in the Option Awards column would be \$1,556,800.

Outstanding Equity Awards at Fiscal Year-End

The following table shows all outstanding equity awards held by each of our named executive officers at December 31, 2011.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) (1) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Jonathan Oringer	—	—	—	—	—	—	—	—	—
Thilo Semmelbauer ⁽²⁾	—	—	—	—	—	—	—	—	—
James Chou ⁽³⁾	—	100,000	100,000	\$ 14.17	3/31/2021	—	—	—	—
		50,000	50,000	\$ 17.00	3/31/2021				
Timothy E. Bixby ⁽⁴⁾	—	255,000	255,000	\$ 15.00	3/31/2021	—	—	—	—
		50,000	50,000	\$ 17.00	3/31/2021				

- (1) All of the awards of Value Appreciation Rights have a time-based vesting schedule, but are generally only exercisable upon the occurrence of a change of control.
- (2) Mr. Semmelbauer received a 4% profits interest in the Company on August 17, 2010. The profit interest entitles him to an aggregate amount of 4% of any liquidation of the Company in excess of \$300 million, subject to subsequent equity grants that may reduce this amount. The profit interest vests as to one-sixth of these units on April 5, 2011, with the remaining five-sixths vesting in equal quarterly installments over the subsequent five year period.
- (3) Mr. Chou received a grant of 100,000 unvested Value Appreciation Right units on April 1, 2011 with one-fourth of these units vesting one year after grant date, and the remaining three-fourths vesting in equal quarterly installments over the subsequent 3 year period. Mr. Chou also received a grant of 50,000 unvested Value Appreciation Right units on December 20, 2011 with ¹/₆ of these units vesting one year after grant date, and the remaining five-sixths vesting in equal quarterly installments over the subsequent five year period.
- (4) Mr. Bixby received a grant of 255,000 unvested Value Appreciation Right units on June 13, 2011 with one-sixth of these units vesting one year after grant date, and the remaining five-sixths vesting in equal quarterly installments over the subsequent 5 year period. Mr. Bixby also received a grant of 50,000 unvested Value Appreciation Right units on December 20, 2011 with one-sixth of the units vesting one year after grant date, and the remaining five-sixths vesting in equal quarterly installments over the subsequent five year period.

Option Exercises

There were no option exercises by our named executive during the year ended December 31, 2011.

Pension Benefits

None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

Nonqualified Deferred Compensation

We did not maintain any nonqualified defined contribution or deferred compensation plans or arrangements for our named executive officers.

Agreements with Executive Officers

Each of our named executive officers and all of our employees have entered into non-competition, non-solicitation and proprietary information and inventions assignment agreements. Under these agreements, each named executive officer has agreed (i) not to solicit our employees or customers during his employment and for a period of 12 months after the termination of his employment, (ii) not to compete with us or assist any other person to compete with us during the officer's employment with us and (iii) to protect our confidential and proprietary information and to assign to us intellectual property developed during the course of his employment. As a condition of employment with the company, all employees are required to enter into this agreement.

Employee Benefit and Stock Plans

2012 Omnibus Equity Incentive Plan

In connection with this offering, we intend to adopt a 2012 Omnibus Equity Incentive Plan that will provide for the grant of various forms of equity awards, including incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, to our employees and any of our subsidiary corporations' employees, and for the grant of non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares to our employees, directors and consultants and our subsidiary corporations' employees and consultants. No further grants will be made under our VAR Plan, described below, after this offering. In connection with the Reorganization, the outstanding VAR grants under our VAR Plan will be converted into options to purchase common stock granted under, and governed by the terms of, the 2012 Omnibus Equity Incentive Plan, and with similar rights and terms as the original VAR grant. We will provide a more detailed description of the 2012 Omnibus Equity Incentive Plan in a subsequent filing once the terms are finalized.

2012 Employee Stock Purchase Plan

In connection with this offering, we intend to adopt a 2012 Employee Stock Purchase Plan, or ESPP, pursuant to which our employees will be offered the right to purchase shares of our common stock at a discount through salary reductions. In general, we intend to make offerings under the ESPP that qualify under Section 423 of the Code, but may make offerings that are not intended to qualify under Section 423 of the Code to the extent deemed advisable for designated subsidiaries outside the United States. Additionally, we may make separate offerings under the ESPP, each of which may have different terms, but each separate offering will be intended to comply with the requirements of Section 423 of the Code. We will provide a more detailed description of the ESPP in a subsequent filing once the terms are finalized.

Rule 10b5-1 Sales Plans

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend or terminate the plan in some circumstances. Our directors and executive officers may also buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In addition to the director and executive officer compensation arrangements discussed above under "Executive Compensation," below we describe transactions since January 1, 2009, to which we have been a party or will be a party, in which:

- the amounts involved exceeded or will exceed \$120,000; and
- a director, executive officer, beneficial holder of more than 5% of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

Other than as described below, there has not been, nor is there currently proposed, any such transaction or series of similar transactions to which we have been or will be a party other than compensation arrangements, which are described where required under "Management."

Reorganization and Distributions to LLC Members

As described more fully under "Reorganization," prior to this offering, we will complete the Reorganization from a New York limited liability company to a Delaware corporation. Members of the LLC affiliated with Jonathan Oringer, our chief executive officer, director and holder of more than 5% of our capital stock, Insight, which holds more than 5% of our capital stock, and Adam Riggs, a holder of more than 5% of our capital stock, will each receive final cash distributions from the LLC prior to the Reorganization with respect to their membership interests. Historically we have made monthly cash distributions to these members of the LLC with respect to their membership interests and the LLC intends to continue making monthly cash distributions to these members up until the time of the Reorganization. See "Reorganization" for further details regarding the distributions.

Registration Rights Agreement

In connection with the Reorganization and termination of the LLC's operating agreement, we will enter into a registration rights agreement with certain members of the LLC, pursuant to which we will provide for certain registration rights. The registration rights will terminate five years following effectiveness of the agreement, or for any particular holder with registration rights, at such time when all securities held by that stockholder that are subject to registration rights may be sold pursuant to Rule 144 under the Securities Act during any three-month period. The holders of _____ shares of our common stock, after giving effect to the Reorganization, or their transferees, are entitled to certain rights with respect to the registration of such shares under the Securities Act. See "Description of Capital Stock—Registration Rights" below for additional information.

Customer Payments

As of December 31, 2009, 2010 and 2011, Pixel Holdings Inc., which is wholly-owned by Jonathan Oringer, owed the company \$97,000, \$144,000 and \$168,000, respectively. These amounts comprised customer payments that were sent to Pixel Holdings Inc. and other miscellaneous amounts. In April 2012, all amounts owed by Pixel Holdings Inc. to the company were repaid in full.

Indemnification Arrangements

Please see "Description of Capital Stock—Limitation on Director and Officer Liability and Indemnification" for information on our indemnification arrangements with our executive officers and directors.

Executive Compensation and Employment Arrangements

Please see "Management—Executive Compensation" for information on compensation and employment arrangements with our executive officers.

Policies and Procedures for Related Party Transactions

As provided by our audit committee charter to be effective upon completion of this offering, our audit committee is responsible for reviewing and approving in advance any related party transaction. Prior to the creation of our audit committee, our full board of directors reviewed related party transactions.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our outstanding capital stock as of _____, after giving effect to our Reorganization from a New York limited liability company to a Delaware corporation, as described more fully under "Reorganization," and as adjusted to reflect the sale of the common stock offered by us and the selling stockholders under this prospectus by:

- each entity or person who is known to us to own beneficially more than 5% of our common stock;
- each of our directors and named executive officers;
- all of our directors and named executive officers as a group; and
- each of the selling stockholders.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting or investment power with respect to those securities, and include shares subject to options that are exercisable within 60 days. Such shares are also deemed outstanding for purposes of computing the percentage ownership of the person holding the option, but not the percentage ownership of any other person.

The table includes all shares of common stock issuable within 60 days of _____ upon the exercise of options and other rights beneficially owned by the indicated stockholders on that date. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to community property laws, where applicable.

Our calculation of the percentage of beneficial ownership prior to this offering is based on _____ shares of our common stock outstanding as of _____ after giving effect to our Reorganization, together with applicable options to the extent held by certain of our stockholders. We have based our calculation of the percentage of beneficial ownership after this offering on _____ shares of our common stock outstanding immediately after completion of this offering (assuming no exercise of the underwriters' over-allotment option), together with applicable options to the extent held by certain of our stockholders.

The actual number of shares of common stock to be issued to each stockholder in connection with the Reorganization, which will occur prior to this offering, depends in part upon our valuation at the time of our initial public offering. For illustrative purposes only, the number of shares reflected in the table below is based on the most recent third party valuation commissioned by us in December 2011 in connection with our issuance of VARs.

Except as otherwise noted, the address of each person listed in the table is c/o Shutterstock, Inc., 60 Broad Street, 30th Floor, New York, New York 10004.

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering		Number of Shares Offered	Shares Beneficially Owned After Offering	
	Shares	Percentage		Shares	Percentage
Principal Stockholders:					
Jonathan Oringer ⁽¹⁾	18,600,892				
Entities affiliated with Insight Venture Partners ⁽²⁾	6,992,817				
Adam Riggs ⁽³⁾	2,377,558				
Named Executive Officers and Directors:					
Jonathan Oringer ⁽¹⁾	18,600,892				
Thilo Semmelbauer	420,150				
Timothy E. Bixby ⁽⁴⁾	53,125				
James Chou ⁽⁵⁾	31,250				
Steven Berns	—				
Jeff Epstein	—				
Thomas R. Evans	—				
Jeffrey Lieberman ⁽⁶⁾	6,992,817				
Jonathan Miller	—				
All executive officers and directors as a group (9 persons)	26,098,234				

* Represents beneficial ownership of less than 1%.

(1) Shares held by Pixel Holdings Inc. Mr. Oringer is the sole stockholder of Pixel Holdings Inc. and has sole voting and dispositive control over the shares.

(2) Includes 167,758 shares held of record by Shutterstock Investors, LLC, a Delaware limited liability company controlled by Insight Venture Partners V (Employee Co-Investors), L.P., 2,853,279 shares held of record by Shutterstock Investors I, LLC, a Delaware limited liability company controlled by Insight Venture Partners V, L.P., 863,893 shares held of record by Insight Venture Partners (Cayman) V, L.P. and 3,107,887 shares held of record by Insight Venture Partners V Coinvestment Fund, L.P. (Insight Venture Partners V (Employee Co-Investors), L.P., Insight Venture Partners V, L.P., Insight Venture Partners (Cayman) V, L.P. and Insight Venture Partners V Coinvestment Fund, L.P., collectively, the "Insight V Funds"). Insight Venture Associates V, L.L.C. is the general partner of each of the Insight V Funds. Insight Holdings Group, LLC is the manager of Insight Venture Associates V, L.L.C. Jeff Horing, Deven Parekh and Peter Sobiloff are the members of the board of managers of Insight Holdings Group, LLC and share voting and dispositive control of the shares held by the Insight V Funds. The foregoing is not an admission by Insight Ventures Associates V, L.L.C. or Insight Holdings Group, LLC that it is the beneficial owner of the shares held by the Insight V Funds. Each of Messrs. Horing, Parekh or Sobiloff disclaims beneficial ownership of the shares except to the extent of his pecuniary interest in these entities. The address of the Insight V Funds is c/o Insight Venture Partners, 680 Fifth Avenue, 8th Floor, New York, NY 10019.

(3) The address of Adam Riggs is c/o The Nelson Law Firm, LLC, White Plains Plaza, One North Broadway, White Plains, New York 10601.

(4) Consists of 53,125 shares issuable upon exercise of outstanding options exercisable within 60 days of May 4, 2012.

(5) Consists of 31,250 shares issuable upon exercise of outstanding options exercisable within 60 days of May 4, 2012.

(6) Mr. Lieberman is a Managing Director of Insight Venture Management, LLC, an entity affiliated with the Insight V Funds, but holds no voting or investment power over the shares reflected as beneficially owned by the Insight V Funds. See note (2) above for more information regarding the Insight V Funds.

DESCRIPTION OF CAPITAL STOCK

General

The following descriptions of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws that will be in effect upon completion of this offering. Copies of these documents will be filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur upon the completion of this offering. Prior to this offering, we will be reorganized from a New York limited liability company to a Delaware corporation, as described more fully under "Reorganization."

Upon the completion of this offering, we will be authorized to issue 200,000,000 shares of common stock, \$0.01 par value per share, and 5,000,000 shares of undesignated preferred stock, \$0.01 par value per share.

Common Stock

As of December 31, 2011, there were 28,665,250 shares of common stock outstanding, as adjusted to give effect to our Reorganization from a New York limited liability company to a Delaware corporation, as described more fully under "Reorganization," held by 8 stockholders. Options to purchase 1,334,750 shares of common stock were also outstanding as of December 31, 2011, as adjusted to give effect to the Reorganization. There will be _____ shares of common stock outstanding (assuming no exercise of the underwriter's over-allotment option or exercise of outstanding options after December 31, 2011), after giving effect to the sale of the shares offered hereby.

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available for that purpose. See "Dividend Policy." In the event of liquidation, dissolution or winding up of Shutterstock, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the prior distribution rights of any outstanding preferred stock. The common stock has no preemptive or conversion rights or other subscription rights. The outstanding shares of common stock are, and the shares of common stock to be issued upon completion of this offering will be, fully paid and non-assessable.

Preferred Stock

There will not be any shares of preferred stock outstanding upon the closing of the offering. Under our amended and restated certificate of incorporation, which will be effective upon closing of this offering, our board of directors will have the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock, \$0.01 par value, in one or more series. Our board of directors will also have the authority to designate the rights, preferences, privileges and restrictions of each such series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series.

The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of Shutterstock without further action by the stockholders. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of common stock. In certain circumstances, an issuance of preferred stock could have the effect of decreasing the market price of the common stock. We currently have no plans to issue any shares of preferred stock.

Registration Rights

In connection with the Reorganization and the termination of the LLC's operating agreement, we will enter into a registration rights agreement with certain members of the LLC, pursuant to which we will provide for certain registration rights. The registration rights will terminate five years following effectiveness of the agreement, or for any particular holder with registration rights, at such time when all securities held by that stockholder that are subject to registration rights may be sold pursuant to Rule 144 under the Securities Act during any three-month period. Subject to limitations in the agreement, the holders of at least _____ of these securities then outstanding may require, on _____ occasions beginning six months after the date of this prospectus, that we use our best efforts to register these securities for public resale if Form S-3 is not available. If we register any of our common stock either for our own account or for the account of other security holders, the holders of these securities are entitled to include their shares of common stock in that registration, subject to the ability of the underwriters to limit the number of shares included in the offering. The holders of at least _____ of these securities then outstanding may also require us, not more than once in any twelve-month period, to register all or a portion of these securities on Form S-3 when the use of that form becomes available to us, provided, among other limitations, that the proposed aggregate selling price is at least \$ _____ million. We will be responsible for paying all registration expenses, and the holders selling their shares will be responsible for paying all selling expenses.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation and our amended and restated bylaws that will be in effect upon the closing of this offering will contain certain provisions that could have the effect of delaying, deterring or preventing another party from acquiring control of us. These provisions and certain provisions of Delaware law, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate more favorable terms with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us.

Undesignated Preferred Stock

As discussed above, our board of directors will have the ability to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of our company.

Limits on Ability of Stockholders to Act by Written Consent or Call a Special Meeting

Our amended and restated certificate of incorporation will provide that our stockholders may not act by written consent, which may lengthen the amount of time required to take stockholder actions. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws.

In addition, our amended and restated bylaws will provide that special meetings of the stockholders may be called only by the chairperson of the board, our chief executive officer, our president (in the absence of a chief executive officer) or a majority of our board of directors. Stockholders may not call a special meeting, which may delay the ability of our stockholders to force consideration of a proposal or for holders controlling a majority of our capital stock to take any action, including the removal of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our bylaws will 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 our board of directors or a committee of our board of directors. These provisions may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

No Cumulative Voting

Our amended and restated certificate of incorporation and amended and restated bylaws will not permit cumulative voting in the election of directors. Cumulative voting allows a stockholder to vote a portion or all of its shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder may not be able to gain as many seats on our board of directors as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our board of directors to influence our board's decision regarding a takeover.

Amendment of Charter Provisions

The amendment of the above provisions of our amended and restated certificate of incorporation will require approval by holders of at least a majority of our outstanding capital stock entitled to vote generally in the election of directors.

Delaware Anti-Takeover Statute

We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

- prior to the date of the transaction, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, calculated as provided under Section 203; or
- at or subsequent to the date of the transaction, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. 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 outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We anticipate that Section 203 may also discourage takeover attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

The provisions of Delaware law and the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as amended upon the closing of this offering, could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions might also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Choice of Forum

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine.

Limitation on Director and Officer Liability and Indemnification

Our amended and restated certificate of incorporation, which will be in effect upon the completion of this offering, contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation and amended and restated bylaws to be in effect upon the completion of this offering provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our amended and restated bylaws also provide that we are obligated to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these

indemnification provisions. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

Market Listing

We have applied to list our common stock on the New York Stock Exchange under the symbol "SSTK".

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is . The Transfer Agent's address and telephone number is .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our capital stock. Future sales of our common stock, or the availability of such shares for sale in the public market, could adversely affect prevailing market prices. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of certain contractual and legal 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.

Based on the number of shares outstanding as of December 31, 2011, upon completion of the offering, we will have outstanding _____ shares of common stock. Of these shares, all of the shares sold in the offering (plus any shares issued upon exercise of the underwriters' over-allotment option) will be freely tradable without restriction under the Securities Act, unless purchased by "affiliates" of Shutterstock as that term is defined in Rule 144 under the Securities Act, which generally includes officers, directors or 10% stockholders.

The remaining shares of common stock outstanding after this offering will be "restricted securities" within the meaning of Rule 144 under the Securities Act. These shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 promulgated under the Securities Act, which are summarized below. Sales of these shares in the public market, or the availability of such shares for sale, could adversely affect the market price of our common stock.

Prior to the completion of this offering, all of our directors, officers and the holders of all of our securities will have entered into lock-up agreements generally providing that they will not offer, sell, contract to sell or grant any option to purchase or otherwise dispose of any shares of our common stock or any securities exercisable for or convertible into shares of our common stock owned by them for a period of 180 days after the effective date of the registration statement filed pursuant to this offering without the prior written consent of Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. As a result of these contractual restrictions, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144 and 701, shares subject to lock-up agreements will not be salable until such agreements expire or are waived by the designated underwriters' representative.

Taking into account the lock-up agreements, and assuming Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. do not release stockholders from these agreements, the following shares will be eligible for sale in the public market at the following times:

- Beginning on the effective date of this prospectus, only the shares sold in the offering will be immediately available for sale in the public market.
- Up to and including 180 days after the date of this prospectus, _____ shares will be eligible for resale.
- More than 180 days after the date of this prospectus, the remaining _____ shares will be eligible for resale, _____ of which would be subject to volume, manner of sale and other limitations under Rule 144, as described below.

In general, under Rule 144 as currently in effect, and beginning after the expiration of the lock-up agreements (180 days after the date of this prospectus), a person (or persons whose shares are aggregated) who has beneficially owned restricted shares for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (i) one percent of the number of shares of common stock then outstanding (which will equal approximately _____ shares immediately after the offering, based on the number of shares of common stock outstanding as of December 31, 2011); or (ii) the average weekly trading volume of our common stock during the four calendar weeks preceding the 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

Shutterstock. Under Rule 144, a person who is not deemed to have been an affiliate of Shutterstock at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least one year, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

The holders of approximately _____ shares of our common stock or their transferees are also entitled to certain rights with respect to registration of those shares for offer or sale to the public. If the holders, by exercising their registration rights, cause a large number of shares to be registered and sold in the public market, the sales could have a material adverse effect on the market price for our common stock.

As a result of the lock-up agreements and the terms of our 2012 Omnibus Equity Incentive Plan and our 2012 Employee Stock Purchase Plan, our employees holding common stock or stock options may not sell shares acquired upon exercise until 180 days after the effective date. Beginning 180 days after the effective date, any employee, officer or director of or consultant who purchased shares pursuant to 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. In addition, we intend to file registration statements under the Securities Act as promptly as possible after the effective date to register shares to be issued pursuant to our employee benefit plans. As a result, any options exercised under the 2012 Omnibus Equity Incentive Plan or any other benefit plan after the effectiveness of such registration statement will also be freely tradable in the public market, except that shares held by affiliates will still be subject to the volume limitation, manner of sale, notice and public information requirements of Rule 144 unless otherwise resalable under Rule 701. As of December 31, 2011, there were outstanding options for the purchase of _____ shares of our common stock, of which options to purchase _____ shares were exercisable, as adjusted to give effect to the Reorganization. No shares have been issued to date under our 2012 Omnibus Equity Incentive Plan or 2012 Employee Stock Purchase Plan. See "Risk Factors—Shares Eligible for Future Sale," "Management—Employee Benefit and Stock Plans" and "Description of Capital Stock—Registration Rights."

**MATERIAL U.S. FEDERAL INCOME TAX AND ESTATE TAX CONSEQUENCES
TO NON-U.S. HOLDERS**

The following is a summary of material U.S. federal income tax and estate tax consequences to non-U.S. holders relating to the ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as in effect on the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income or estate tax consequences different from those set forth below. We have not sought any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This summary also does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, or under U.S. federal gift and estate tax laws, except to the limited extent below. In addition, this discussion does not address tax considerations applicable to a non-U.S. holder's particular circumstances or to non-U.S. holders that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- persons subject to the alternative minimum tax;
- tax-exempt organizations;
- controlled foreign corporations, passive foreign investment companies and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities treated as pass-through entities for U.S. federal income tax purposes;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than five percent of our common stock, except to the extent specifically set forth below;
- real estate investment trusts or regulated investment companies;
- certain former citizens or long-term residents of the U.S.;
- persons who hold our common stock as part of a straddle, hedge, conversion, constructive sale, or other integrated security transaction; or
- persons who do not hold our common stock as a capital asset (within the meaning of Section 1221 of the Code).

If a partnership or entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock, and partners in such partnerships, should consult their tax advisors.

You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the purchase, ownership and disposition of our common stock arising under the U.S. federal estate or gift tax rules or under the laws of any state, local, non-U.S. or other taxing jurisdiction or under any applicable tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, a non-U.S. holder is a beneficial owner of shares of our common stock that is not, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state or political subdivision thereof, or the District of Columbia;
- a partnership;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (y) which has made an election to be treated as a U.S. person.

Distributions

If we make a distribution of cash or other property (other than certain pro rata distributions of our common stock) in respect of our common stock, the distribution will be treated as a dividend to the extent it is paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If the amount of a distribution exceeds our current and accumulated earnings and profits, such excess first will be treated as a tax-free return of capital to the extent of the non-U.S. holder's adjusted tax basis in our common stock, and thereafter will be treated as capital gain. Distributions treated as dividends on our common stock held by a non-U.S. holder generally will be subject to U.S. federal withholding tax at a rate of 30%, or at a lower rate if provided by an applicable income tax treaty and the non-U.S. holder has provided the documentation required to claim benefits under such treaty. Generally, to claim the benefits of an income tax treaty, a non-U.S. holder will be required to provide a properly executed IRS Form W-8BEN.

If, however, a dividend is effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (and, if an applicable tax treaty so provides, is attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States), the dividend will not be subject to the 30% U.S. federal withholding tax (provided the non-U.S. holder has provided the appropriate documentation, generally an IRS Form W-8ECI, to the withholding agent), but the non-U.S. holder generally will be subject to U.S. federal income tax in respect of the dividend on a net income basis, and at graduated rates, in substantially the same manner as U.S. persons. Dividends received by a non-U.S. holder that is a corporation for U.S. federal income tax purposes and which are effectively connected with the conduct of a U.S. trade or business may also be subject to a branch profits tax at the rate of 30% (or a lower rate if provided by an applicable tax treaty).

A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund together with the required information with the IRS.

Gain on Disposition of Common Stock

Subject to the discussion below of the Foreign Account Tax Compliance Act, or FATCA, and backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or other disposition of our common stock unless:

- such non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale or disposition, and certain other conditions are met;

- such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States (and, if an applicable tax treaty so provides, is attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder in the United States); or
- our common stock constitutes a U.S. real property interest by reason of our status as a "United States real property holding corporation" for U.S. federal income tax purposes, or a USRPHC, at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock.

A non-U.S. holder that is an individual and who is present in the United States for 183 days or more in the taxable year of such sale or disposition, if certain other conditions are met, will be subject to tax at a gross rate of 30% on the amount by which such non-U.S. holder's taxable capital gains allocable to U.S. sources, including gain from the sale or other disposition of our common stock, exceed capital losses allocable to U.S. sources, except as otherwise provided in an applicable income tax treaty.

Gain realized by a non-U.S. holder that is effectively connected with such non-U.S. holder's conduct of a trade or business in the U.S. generally will be subject to U.S. federal income tax on a net income basis, and at graduated rates, in substantially the same manner as a U.S. person (except as provided by an applicable tax treaty). In addition, if such non-U.S. holder is a corporation for U.S. federal income tax purposes, it may also be subject to a branch profits tax at the rate of 30% (or a lower rate if provided by an applicable tax treaty).

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). We do not expect to be treated as a USRPHC as of the date hereof; however, there can be no assurances that we are not now or will not become in the future a USRPHC. If, however, we were a USRPHC during the applicable testing period, as long as our common stock is regularly traded on an established securities market, our common stock will be treated as a U.S. real property interest only for a non-U.S. holder who actually or constructively holds (at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period) more than 5% of such regularly traded stock. Please note, though, that we can provide no assurance that our common stock will remain regularly traded.

Federal Estate Tax

Our common stock beneficially owned by an individual who is not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes) at the time of death will generally be includable in the decedent's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Recently Enacted Legislation Affecting Taxation of Our Common Stock Held By or Through Foreign Entities

Recently enacted legislation as part of FATCA generally will impose a U.S. federal withholding tax of 30% on dividends paid after December 31, 2013 and the gross proceeds of a disposition of our common stock paid after December 31, 2014, to a foreign financial institution unless such institution enters into an agreement with the U.S. Secretary of Treasury to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). The legislation also will generally impose a U.S. federal withholding tax of 30% on dividends paid after December 31, 2013 and the gross proceeds of a disposition of our common stock paid after December 31, 2014, to a non-financial foreign entity unless such entity provides the withholding agent with a certification (i) that such entity does not have any "substantial United States

owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which we will in turn provide to the U.S. Secretary of Treasury. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to a non-U.S. holder, the non-U.S. holder's name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. holder. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in the non-U.S. holder country of residence.

Payments of dividends or of proceeds on the disposition of stock made to a non-U.S. holder may be subject to information reporting and backup withholding unless the non-U.S. holder establishes an exemption, for example by properly certifying the non-U.S. holder's status on a Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that the non-U.S. holder is a U.S. person.

Backup withholding is not an additional tax; rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

The preceding discussion of U.S. federal tax considerations is for general information only. It is not tax advice. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our common stock, including the consequences of any proposed change in applicable laws.

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC, Deutsche Bank Securities Inc. and Jefferies & Company, Inc. are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have agreed to sell to them, severally, the number of shares indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. LLC	
Deutsche Bank Securities Inc.	
Jefferies & Company, Inc.	
RBC Capital Markets, LLC	
Stifel, Nicolaus & Company, Incorporated	
William Blair & Company, L.L.C.	
Total	

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased, or, in the case of a default with respect to the shares covered by the underwriters' over-allotment described below, the underwriting agreement may be terminated.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ _____ per share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of \$ _____ per share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to _____ additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us and the selling stockholders. These amounts are shown

assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares of common stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by:			
Us	\$	\$	\$
The selling stockholders	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$	\$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$ million.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

We have applied to list our common stock on the New York Stock Exchange under the trading symbol "SSTK".

In connection with this offering, we and our directors, officers and the holders of our outstanding stock and stock options, including the selling stockholders, have agreed, or are otherwise subject to substantially the same contractual restrictions with us, that, without the prior written consent of Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. on behalf of the underwriters and subject to certain exceptions, we and they will not, during the period ending 180 days after the date of this prospectus (or such earlier date or dates as agreed between us and Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc.):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of common stock beneficially owned or any other securities convertible into or exercisable or exchangeable for common stock;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such transaction described in the immediately preceding bullet or this bullet is to be settled by delivery of our common stock or such other securities, in cash or otherwise; or
- make any demand for or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

In addition, we and all directors and officers and the holders of our outstanding stock and stock options, including the selling stockholders, have agreed, or are otherwise subject to substantially the same contractual restrictions with us, that, without the prior written consent of Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. on behalf of the underwriters, and subject to certain exceptions, we and they will not, during the period ending 180 days after the date of this prospectus (or such earlier date or dates as agreed between us and Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc.), file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock. The restrictions described in the preceding paragraph do not apply to:

- sales of our common stock to the underwriters;

- transactions relating to shares of our common stock or other securities acquired in open market transactions after the completion of this offering, provided that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of our common stock or other securities acquired in such open market transactions;
- transfers of shares of our common stock or any security convertible into or exercisable or exchangeable for shares of our common stock (i) to the spouse, domestic partner, parent, child or grandchild of the security holder or to any trust (or similar entity) formed for the benefit of such person, (ii) by bona fide gift, will or intestacy, (iii) to equity holders, limited partners or affiliates of a security holder or (iv) to a trustor or beneficiary of a trust, provided that in the case of any such transfer or distribution, the transferee, donee or distributee must sign and deliver a lock-up letter substantially in the form of the lock-up letter signed by the holders of our outstanding stock and no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of common stock, shall be required or shall be voluntarily made in respect of the transfer or distribution during the 180-day restricted period;
- dispositions of shares of our common stock or any securities convertible into our common stock to us in a transaction exempt from Section 16(b) of the Exchange Act solely in connection with the payment of taxes and exercise price due with respect to stock options or warrants or the vesting of restricted securities, insofar as such stock options, warrants or restricted securities are outstanding on the date of this prospectus and provided that no public reports or filings reporting the transaction shall be required or shall be voluntarily made in respect of the disposition;
- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act, for the transfer of shares of our common stock, provided that such plan does not provide for the transfer of our common stock during the restricted period;
- transfers of shares of our common stock or any security convertible into or exercisable or exchangeable for shares of our common stock occurring by operation of law, provided such shares or security remain subject to the restrictions described in this paragraph; and
- transfers of shares of our common stock or any security convertible into or exercisable or exchangeable for our common stock pursuant to a qualifying bona fide third party tender offer, merger, consolidation or other similar transaction made to all holders of our common stock.

The 180-day restricted period described in the preceding paragraphs will be extended if:

- during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs, or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period or provide notification to Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. of any earnings release, or material news or a material event that may give rise to an extension of the 180-day restricted period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In addition, each such person has agreed that it will not engage in any transaction that may be restricted during the 34-day period beginning on the last day of the 180-day restricted period unless it requests and receives prior written confirmation from us or Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. that the restrictions described above have expired.

In order to facilitate the offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own accounts. In addition, to cover over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

We, the selling stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of these liabilities.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Pricing of the Offering

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects and those of our industry in general, our revenue, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. We cannot assure you that the prices at which the shares will

sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our common stock will develop and continue after this offering.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters in connection with this offering will be passed upon for the underwriters by Willkie Farr & Gallagher LLP, New York, New York.

EXPERTS

The financial statements as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering of our common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be referenced for the complete contents of these contracts and documents. A copy of the registration statement, the exhibits and schedules thereto and any other document we file may be inspected without charge at the public reference facilities maintained by the SEC in 100 F Street, N.E., Room 1580, Washington, D.C. 20549 and copies of all or any part of the registration statement may be obtained from this office, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above. Shutterstock maintains a website at www.shutterstock.com. You may also access our periodic reports, proxy statements and other information free of charge at this website as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information on such website is not incorporated by reference and is not part of this prospectus.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Members
of Shutterstock Images LLC:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of members' deficit and of cash flows present fairly, in all material respects, the financial position of Shutterstock Images LLC and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

New York, New York
May 14, 2012

SHUTTERSTOCK IMAGES LLC
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	December 31,		Pro Forma
	2010	2011	December 31, 2011 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,544	\$ 14,097	\$
Credit card receivables	703	964	
Accounts receivable, net	350	647	
Prepaid expenses and other current assets	365	1,554	
Deferred tax assets	942	644	
Due from related party	144	168	
Total current assets	9,048	18,074	
Property and equipment, net	1,703	3,844	
Intangible assets, net	1,248	1,029	
Goodwill	1,423	1,423	
Deferred tax assets	13	58	
Other assets	428	427	
Total assets	<u>\$ 13,863</u>	<u>\$ 24,855</u>	<u>\$</u>
LIABILITIES, REDEEMABLE PREFERRED MEMBERS' INTEREST, MEMBERS' DEFICIT AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 468	\$ 1,838	\$ —
Accrued expenses	6,532	10,875	—
Contributor royalties payable	3,959	5,261	—
Income taxes payable	316	—	—
Deferred revenue	19,631	28,451	—
Other liabilities	51	85	—
Total current liabilities	30,957	46,510	—
Other non-current liabilities	398	2,548	—
Total liabilities	31,355	49,058	—
Commitments and contingencies (Note 7)			
Redeemable preferred members' interest	36,811	33,725	—
Members' deficit:			
Common members' interest	5,699	5,699	—
Accumulated deficit	(60,002)	(63,627)	—
Total members' deficit	(54,303)	(57,928)	—
Stockholders' equity:			
Common stock	—	—	—
Additional paid-in capital	—	—	—
Retained earnings (deficit)	—	—	—
Total stockholders' equity	—	—	—
Total liabilities, redeemable preferred members' interest, members' deficit and stockholders' equity	<u>\$ 13,863</u>	<u>\$ 24,855</u>	<u>\$ —</u>

See accompanying notes to consolidated financial statements

SHUTTERSTOCK IMAGES LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Amount)

	<u>Year Ended December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue	\$ 61,099	\$ 82,973	\$ 120,271
Operating expenses:			
Cost of revenue	21,826	32,353	45,504
Sales and marketing	10,949	17,820	31,929
Research and development	2,361	4,591	9,777
General and administrative	6,217	8,414	10,171
Total operating expenses	<u>41,353</u>	<u>63,178</u>	<u>97,381</u>
Income from operations	19,746	19,795	22,890
Interest income	5	19	10
Income before income taxes	19,751	19,814	22,900
Provision for income taxes	909	876	1,036
Net income	<u>\$ 18,842</u>	<u>\$ 18,938</u>	<u>\$ 21,864</u>
Pro forma income before for income taxes			\$
Pro forma provision for income taxes			\$
Pro forma net income			\$
Pro forma net income per share of common stock:			
Basic (unaudited)			\$
Diluted (unaudited)			\$
Weighted average pro forma shares used in computing net income per share of common stock:			
Basic (unaudited)			
Diluted (unaudited)			

See accompanying notes to consolidated financial statements

SHUTTERSTOCK IMAGES LLC
CONSOLIDATED STATEMENTS OF MEMBERS' DEFICIT

(In Thousands)

	Common Members' Interest	Accumulated Deficit	Total Members' Deficit
Balance at January 1, 2009	\$ 2,949	\$ (49,110)	\$ (46,161)
Common members' distributions	—	(15,375)	(15,375)
Equity-based compensation	1,833	—	1,833
Preferred members' interest accretion	—	(6,804)	(6,804)
Net income	—	18,842	18,842
Balance at December 31, 2009	\$ 4,782	\$ (52,447)	\$ (47,665)
Common members' distributions	—	(19,425)	(19,425)
Equity-based compensation	917	—	917
Preferred members' interest accretion	—	(7,068)	(7,068)
Net income	—	18,938	18,938
Balance at December 31, 2010	\$ 5,699	\$ (60,002)	\$ (54,303)
Common members' distributions	—	(21,431)	(21,431)
Preferred members' interest accretion	—	(4,058)	(4,058)
Net income	—	21,864	21,864
Balance at December 31, 2011	\$ 5,699	\$ (63,627)	\$ (57,928)

See accompanying notes to consolidated financial statements

SHUTTERSTOCK IMAGES LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Year Ended December 31,		
	2009	2010	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 18,842	\$ 18,938	\$ 21,864
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	404	874	1,520
Deferred taxes	(234)	(293)	253
Non-cash equity-based compensation	1,833	1,114	2,122
Bad debt reserve	—	—	256
Chargeback reserve (recovery)	(77)	—	40
Changes in operating assets and liabilities:			
Credit card receivable	(78)	(1)	(261)
Accounts receivable	—	(350)	(553)
Prepaid expenses and other current and non-current assets	(50)	(170)	(1,211)
Due from member	—	(47)	(24)
Accounts payable and other liabilities	2,393	2,200	5,735
Contributors payable	524	1,100	1,302
Income taxes payable	(342)	(11)	(316)
Deferred revenue	3,936	5,372	8,820
Net cash provided by operating activities	\$ 27,151	\$ 28,726	\$ 39,547
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(747)	(1,116)	(3,442)
Security deposit receipt (payment)	—	(103)	23
Acquisition, net of cash	(1,942)	—	—
Net cash used in investing activities	\$ (2,689)	\$ (1,219)	\$ (3,419)
CASH FLOWS FROM FINANCING ACTIVITIES			
Members' distributions	(20,500)	(25,900)	(28,575)
Net cash used in financing activities	\$ (20,500)	\$ (25,900)	\$ (28,575)
Net increase in cash and cash equivalents	3,962	1,607	7,553
Cash and cash equivalents—Beginning	975	4,937	6,544
Cash and cash equivalents—Ending	\$ 4,937	\$ 6,544	\$ 14,097
Supplemental Disclosure of Cash Information:			
Cash paid for:			
Income taxes	\$ 1,485	\$ 1,180	\$ 1,225
Non-cash financing activities:			
Preferred members' interest accretion	\$ 6,804	\$ 7,068	\$ 4,058

See accompanying notes to consolidated financial statements

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands, Except Share and Per Share Data)

(1) Summary of Operations and Significant Accounting Policies

Summary of Operations

Shutterstock Images LLC (the "Company" or "Shutterstock") was organized as a New York limited liability company on January 16, 2007. The Company operates an industry-leading global marketplace for commercial digital imagery. Commercial digital imagery consists of licensed photographs, illustrations and videos that companies use in their visual communication, such as websites, digital and print marketing materials, corporate communications, books, publications and video content. The Company licenses commercial digital content to its customers. Contributors upload their digital content to the Company's website in exchange for a royalty payment based on customer download activity. The Company maintains a primary office location in New York City.

Principles of Consolidation

The consolidated financial statements reflect the operations of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reorganization

The Company is currently established as a New York limited liability company (the "LLC"). Prior to the Company's proposed initial public offering (the "IPO"), the Company will form Shutterstock, Inc., a Delaware corporation, and will reorganize, by way of a merger of the LLC with and into Shutterstock, Inc., with Shutterstock, Inc. surviving in the merger (the "Reorganization"). In connection with the Reorganization, the membership interests in the LLC will be exchanged for shares of common stock of Shutterstock, Inc. prior to the IPO.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. The Company evaluates its significant estimates on an ongoing basis, including, but not limited to goodwill, intangibles, equity-based compensation, income tax provisions and for certain non-income tax accruals. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Sales and Use Taxes

Amounts charged to customers or paid on behalf of customers related to sales taxes, value-added taxes and other usage taxes are classified net of revenue.

Concentration of Credit and Contributor Risk

At certain times, the Company's cash balances with any one financial institution may exceed Federal Deposit Insurance Corporation insurance limits. The Company believes it mitigates its risk by depositing its cash balances with financial institutions of high quality.

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(1) Summary of Operations and Significant Accounting Policies (Continued)**

The Company's customers and contributors are located worldwide. The majority of the Company's customers purchase products by making electronic payments at the time of a transaction. The Company performs ongoing financial condition evaluations for its existing customers and performs credit evaluations for its new customers. Concentration of credit risk is limited due to the Company's large number of diversified customers. As of December 31, 2010, two customers accounted for 51% of accounts receivable while as of December 31, 2011, four customers accounted for 56% of accounts receivable. As of December 31, 2010 and 2011, no single customer accounted for or exceeded 10% of credit card receivables. No single customer accounted for or exceeded 10% of revenue for the years ended December 31, 2009, 2010 or 2011, respectively.

No single contributor accounted for or exceeded 10% of contributor royalties for the years ended December 31, 2009, 2010 and 2011, respectively.

Fair Value Measurements

The fair value framework under the Financial Accounting Standards Board ("FASB") guidance requires the categorization of assets and liabilities into three levels: Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2—inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and Level 3—unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The fair value of a financial instrument is the amount for which the instrument could be exchanged in a current transaction between willing parties. Cash and cash equivalents, accounts receivable, restricted cash, accounts payable and deferred revenue carrying amounts approximate fair value because of the short maturity of these instruments. The Company currently has no other financial assets or liabilities that are measured at fair value.

The Company's non-financial assets, which include property and equipment, intangibles and goodwill, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Company is required to evaluate the non-financial asset for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value.

Cash and Cash Equivalents

The Company considers all highly liquid securities with original maturities of three months or less when acquired to be cash equivalents. Cash primarily consists of balances in checking and savings accounts, which are recorded at cost and approximate fair value and is considered a Level 1 measurement based on bank reporting.

Restricted Cash

The Company had \$472 and \$425 of restricted cash recorded in other assets as of December 31, 2010 and 2011, respectively. The restricted cash relates to security deposits for leased office locations. The carrying value of restricted cash approximates fair value.

Credit Card Receivables

The Company's credit card receivables represent amounts due from third party credit card processors. Such amounts generally convert to cash within three to five days with little or no default risk.

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(1) Summary of Operations and Significant Accounting Policies (Continued)*****Accounts Receivable and Allowance for Doubtful Accounts***

The Company's accounts receivable are customer obligations due under normal trade terms, carried at their face value less an allowance for doubtful accounts if required. The Company determines its allowance for doubtful accounts based on the evaluation of the aging of its accounts receivable and on a customer-by-customer analysis of its high-risk customers. The Company's reserve contemplates its historical loss rate on receivables, specific customer situations and the economic environments in which the Company operates. As of December 31, 2010, the Company determined there was no allowance needed. As of December 31, 2011, the Company recorded an allowance for doubtful accounts of \$256.

Deferred Offering Costs

Deferred offering costs consist of legal, accounting and filing fees related to the initial public offering. The deferred offering costs will be offset against proceeds from the initial public offering upon the effectiveness of the offering. In the event the offering is terminated, all deferred offering costs will be expensed. No amounts were deferred as of December 31, 2010. As of December 31, 2011, the Company deferred \$511 of offering costs which are included in prepaid expenses and other current assets.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The useful lives are as follows:

Equipment	3-5 years
Furniture and fixtures	7 years
Purchased software	3 years
Leasehold improvements	Shorter of expected useful life or lease term

Capitalized Internal Use Software

The Company accounts for the cost of computer software developed or obtained for internal use of its application service by capitalizing qualifying costs, which are incurred during the application development stage and amortizing them over the software's estimated useful life. Costs incurred in the preliminary and post-implementation stages of the Company's products are expensed as incurred. The amounts capitalized include external direct costs of services used in developing internal-use software and payroll and payroll-related costs of employees directly associated with the development activities. The Company amortizes capitalized software over the expected period of benefit, which is three years, beginning when the software is ready for its intended use. The Company had no capitalized software costs as of December 31, 2010. For the year ended December 31, 2011, the Company capitalized \$297 which is included in property and equipment and amortized \$17 which is included in general and administrative expense. The Company's policy is to amortize such capitalized costs using the straight-line method over the estimated useful life.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its estimated future cash flows, an

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(1) Summary of Operations and Significant Accounting Policies (Continued)**

impairment charge is recognized in the amount by which the carrying value of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying value or the fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. There were no impairment charges in 2009, 2010 or 2011.

Goodwill and Intangible Assets

Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually on October 1 of each fiscal year or more frequently if events occur or circumstances exist that indicate that the fair value of a reporting unit may be below its carrying value. Goodwill has been allocated to the Company's reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. In September 2011, the FASB issued authoritative guidance which gives entities the option of performing a qualitative assessment of goodwill prior to calculating the fair value of a reporting unit in "step 1" of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required to be performed. The Company adopted this newly issued authoritative guidance effective October 1, 2011. The Company completed its most recent qualitative impairment analysis as of October 1, 2011. Among the factors included in the Company's qualitative assessment were general economic conditions and the competitive environment, actual and expected financial performance, including consideration of the Company's revenue growth and improved operating results year-over-year, forward-looking business measurements, external market conditions, and other relevant entity-specific events. Based on the results of the qualitative assessment, the Company concluded that it is more likely than not that the fair value of its reporting unit is more than its carrying amount, and therefore performance of the two-step quantitative impairment test was not necessary. There were no impairments of goodwill in any of the periods presented in the consolidated financial statements.

Revenue Recognition

All revenue, net of refunds, is generated from the license of digital content through subscription or usage based plans. The Company's four plans are: subscription plans, On Demand plans, pay-as-you-go, which was introduced in July 2011, and credit pack plans. The Company recognizes revenue when the following four basic criteria are met: there is persuasive evidence of an arrangement, performance or delivery of services has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. The Company considers persuasive evidence of an arrangement to be an electronic order form, or a signed contract, which contains the fixed pricing terms. Performance or delivery is considered to have occurred upon either the ratable passage of time over the contract period, a usage basis or upon the expiration of a contract period for which there are unused downloads or credits. Collectability is reasonably assured since most of the Company's customers purchase products by making electronic payments at the time of a transaction with a credit card. The Company establishes a chargeback allowance based on factors surrounding historical credit card chargeback trends and other information. As of December 31, 2010 and 2011, the Company has recorded a chargeback allowance of \$30 and \$70, respectively, which is included in other liabilities. Collectability is assessed for customers who pay on credit based on a credit evaluation for new customers and transaction history with existing customers. Any cash received in advance of revenue recognition is recorded as deferred revenue.

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(1) Summary of Operations and Significant Accounting Policies (Continued)**

Subscription plans range in length from thirty days to one year. Subscription plan revenues are recognized on a straight-line basis using a daily convention method over the plan term. On Demand plans are for a one-year term and permit the customer to download up to a fixed number of digital content. On-demand revenues are recognized at the time the customer downloads the digital downloads on a per unit basis. Revenue related to unused digital content, if any, is recognized in full at the end of the plan term. Pay-as-you-go plans provide for individual image download. The Company recognizes revenue as the customer downloads images. Credit-pack plans are generally for a one-year term and enable the customer to purchase a fixed number of credits which can then be utilized to pay for downloaded digital content. The number of credits utilized for each download depends on the digital content size and format. Credit-pack revenues are recognized based on customer usage on a per credit basis as digital content is downloaded. Revenue related to unused credits, if any, is recognized in full at the end of the plan term. Most plans automatically renew at the end of the plan term unless the customer elects not to renew.

Customers typically pay in advance (or upon commencement of the term) via credit card, wire or check. Fees paid or invoiced in advance are deferred and recognized as described above. Customers that do not pay in advance are invoiced and are required to make payment under standard credit terms. The Company does not generally offer refunds or the right of return to customers. There are situations in which a customer may receive a refund which is determined on a case-by-case basis.

The Company also licenses digital content to customers through third party resellers. The Company contracts with third party resellers around the world, who in turn sell the Company's products to the resellers' customers in exchange for a commission. The reseller program provides access to markets where the Company does not have a significant presence. The Company recognizes revenue net of reseller commissions in accordance with the authoritative guidance on principal agent considerations, as the Company acts as an agent without any risk of loss for collection from the end user.

Cost of Revenue

The Company's cost of revenue includes contributor royalties, credit card processing fees, image and video reviewer expenses, hosting and bandwidth expenses, amortization of content intangible assets, and depreciation of network equipment, which are the direct costs related to providing content to customers. Additionally, the Company includes an allocation of overhead costs primarily related to payroll, insurance, and facilities expenses based on headcount.

Contributor Royalties and Internal Sales Commissions

Contributor royalties earned by a contributor are generally paid bi-weekly or monthly once a customer has downloaded the contributor's digital content and the contributor's royalty account has reached a certain dollar level. The Company expenses contributor royalties in the period during which a customer download occurs and includes the contributor royalties in cost of revenue.

Internal sales commissions are generally paid in the month following collection or invoicing of the commissioned receivable. Internal sales commission expense is included in sales and marketing expense. Internal sales commissions are deferred and recognized over the expected future revenue stream which is generally up to twelve months. There were no internal sales commissions deferred or amortized for the year ended December 31, 2009. For the years ended December 31, 2010 and 2011, the Company deferred \$352 and \$651, respectively, in internal sales commissions which is included in prepaid expenses and other current assets and amortized \$256 and \$597, respectively, in internal sales commission expense which is included in sales and marketing expense.

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(1) Summary of Operations and Significant Accounting Policies (Continued)*****Research and Development***

The Company expenses research and development costs as incurred, except for costs that are capitalized for software development projects that have demonstrated technological feasibility. Research and development costs are primarily comprised of development personnel salaries, equipment costs as well as allocated occupancy costs and related overhead. For the years ended December 31, 2009 and 2010, the Company did not capitalize any software costs and all research and development costs were expensed as incurred. For the year ended December 31, 2011, the Company capitalized \$25 in costs which are included in total capitalized software costs included in property and equipment.

Advertising Costs

The Company expenses the cost of advertising and promoting its products as incurred. Such costs totaled \$8,265, \$13,547, and \$25,176 for the years ended December 31, 2009, 2010 and 2011, respectively, which are included in sales and marketing expense.

Deferred Rent

The Company records rent expense on a straight-line basis over the term of the related lease. The difference between the rent expense recognized and the actual payments made in accordance with the lease agreement is recognized as a deferred rent liability on the Company's balance sheet. As of December 31, 2010 and 2011, the Company has recorded a deferred rent balance of \$162 and \$198, respectively, which is included in other non-current liabilities.

Equity-Based Compensation

The Company measures and recognizes equity-based compensation expense for all equity-based payment awards made to employees based on estimated fair values. The value portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period. For awards with a change of control condition, an evaluation is made at the grant date and future periods as to the likelihood of the condition being met. Compensation expense is adjusted in future periods for subsequent changes in the expected outcome of the change of control conditions until the vesting date. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company uses the Black-Scholes option-pricing model to determine the fair value of the 2011 Value Appreciation Rights Plan ("VAR Plan") awards which is discussed further in Note 9, Valuation Appreciation Rights Plan. The determination of the grant date fair value of the VAR Plan awards using an option-pricing model requires judgment and is affected by the Company's estimated fair value of its common ownership interests as well as assumptions regarding a number of other complex and subjective variables. These variables include the Company's fair value of the common ownership interest, the expected unit price volatility over the expected term of the awards, awards' exercise and cancellation behaviors, risk-free interest rates, and expected dividends, which are estimated as follows:

- ***Fair Value of Common Membership Unit.*** The Company's fair value of common ownership interest is estimated internally and approved by the Board of Managers ("BOM") because the Company is not publicly traded. The Company's intention upon granting VAR Plan awards is for the granted award to have exercisable price per unit that is not less than the per unit fair value of the Company's common equity on the date of grant. The valuations of the Company's common equity unit were prepared in accordance with the American Institute of Certified Public Accountants Statement on

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(1) Summary of Operations and Significant Accounting Policies (Continued)

Standards for Valuation Services 1: *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset*. The assumptions used in the valuation model are based on future expectations combined with the Company's judgment. In the absence of a public trading market, the Company exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of the common equity unit as of the date of each VAR Plan award grant. Some but not all of these factors included operating and financial performance, current business conditions and projections, the hiring of key personnel, the Company's history and introduction of new functionality and services, the Company's stage of development, the likelihood of achieving a liquidity event for the common ownership interests, any adjustment necessary to recognize a lack of marketability for our common ownership interests, the market performance of comparable publicly traded companies, and U.S. and global capital market conditions. The Company also obtains independent third party valuations on a periodic basis.

- **Expected Term.** The expected term was estimated using the simplified method allowed under Securities and Exchange Commission ("SEC") guidance.
- **Volatility.** As the Company does not have a trading history for its common ownership interest, the expected price volatility for the common ownership interest was estimated by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the VAR Plan awards. Industry peers consist of several public companies similar in size, stage of life cycle and financial leverage. The Company did not rely on implied volatilities of traded options in the industry peers' common stock because the volume of activity was relatively low. The Company intends to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of the Company's own common ownership interest price becomes available, or unless circumstances change such that the identified companies are no longer similar to the Company, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- **Risk-free Interest Rate.** The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the VAR Plan awards for each award group.
- **Dividend Yield.** The Company has historically paid cash dividends or distributions to its members. Once the Company completes the proposed IPO, it does not intend to pay cash dividends or distributions in the foreseeable future. As a result, the Company used an expected dividend yield of zero.

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(1) Summary of Operations and Significant Accounting Policies (Continued)**

If any of the assumptions used in the Black-Scholes model changes significantly, the VAR Plan fair value for future awards may differ materially compared with the awards granted previously. The VAR grants made under the VAR Plan are subject to a time-based vesting requirement, the majority of which vest over four years, and a condition that a change of control occur for a payment to trigger with respect to the VAR grants. In connection with the Company's Reorganization, the VAR grants will be exchanged for options to purchase shares of common stock of Shutterstock, Inc. As of December 31, 2011, no equity-based compensation expense had been recognized because the qualifying events had not occurred. In the period in which the IPO is completed, the Company will begin recording share-based compensation expense using the accelerated attribution method, net of forfeitures, based on the grant date fair value of the VAR Plan awards.

For any equity-based awards that qualify for liability classification, the Company has elected to use the intrinsic value method to value the common membership interest in accordance with authoritative guidance on stock compensation. See Note 11, Common Member Ownership Subject to Put Feature, for further information.

Income Taxes

The Company files its income tax returns as a limited liability company and is taxed as a partnership for federal and state income tax purposes. The Company plans to reorganize from a limited liability company to a Delaware corporation prior to the proposed IPO. The Company recognizes no federal and state income taxes, as the members of the LLC, and not the Company itself, are subject to income tax on their allocated share of the Company's earnings. However, the Company is subject to taxation on allocable portions of its net income or other taxes based on various methodologies employed by the taxing authorities in certain localities. The Company generally makes monthly distributions to its members under the terms of the LLC's operating agreement, subject to the Company's operating cash needs.

The Company accounts for unrecognized tax benefits using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. The Company records an income tax liability, if any, for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on the Company's tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The reserves are adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. During the years ended December 31, 2009 and 2010, respectively, the Company has not recorded any liabilities for unrecognized income tax benefits. During the year ended December 31, 2011, the Company recorded an unrecognized income tax liability in the amount of \$60.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and tax penalties in income tax expense in the consolidated statements of operations. The Company did not accrue or pay any interest or penalties related to unrecognized tax benefits for the years ended December 31, 2009, 2010 and 2011, respectively.

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(1) Summary of Operations and Significant Accounting Policies (Continued)**

The Company is subject to requirements for non-income taxes, including payroll, value-added and sales-based taxes. Where appropriate, the Company has made accruals for these matters, which are reflected in the Company's consolidated financial statements.

Segment Reporting

The Company has identified four operating segments. These four operating segments have been aggregated into one reportable segment based on the aggregation criteria within the authoritative guidance on segment reporting. The Company considered the similarity of the product sold, the distribution processes involved, targeted customers, and economic characteristics among the four operating segments in its aggregation criteria evaluation. The operating segments share operational support functions such as sales, marketing, public relations, various research and development and engineering support, in addition to the general and administrative functions of human resources, legal, finance and information technology.

The following represents our geographic revenue based on customer location:

	Year Ended December 31,		
	2009	2010	2011
North America	\$ 21,752	\$ 28,631	\$ 40,536
Europe	25,883	33,796	47,967
Rest of the world	13,464	20,546	31,768
Total revenue	<u>\$ 61,099</u>	<u>\$ 82,973</u>	<u>\$ 120,271</u>

Included in North America is the United States which comprises 32%, 31%, and 30% of total revenue for years ended December 31, 2009, 2010, and 2011, respectively. No other country accounts for more than 10% of the Company's revenue in any period. All long-lived assets are located in North America.

Foreign Currency Transactions

The Company has determined that the U.S. Dollar is its functional currency worldwide and therefore does not have any foreign currency translation adjustment. The Company does provide for customers in select countries to pay for licenses in a local currency. These foreign currency payments are converted into U.S. Dollars at the rate prevailing on the date of the transaction. Any refund for these transactions could result in a foreign currency transaction gain or loss depending on the movement of the foreign currency between the purchase date and the refund date. During the years ended December 31, 2009, 2010 and 2011, the Company's foreign currency transaction activity was immaterial to the financial statements.

Recently Issued Accounting Standard Updates

In December 2011, the FASB amended its guidance for disclosures about offsetting assets and liabilities. This guidance is intended to provide enhanced disclosures that will enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this update. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(1) Summary of Operations and Significant Accounting Policies (Continued)

are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. An entity is required to apply this amendment for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This guidance relates specifically to disclosures and its adoption is not expected to have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB amended its guidance for performance of goodwill impairment testing in order to simplify how entities test goodwill for impairment. The amendment allows entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a greater than 50 percent likelihood exists that the fair value is less than the carrying amount then the two-step goodwill impairment test must be performed. The guidance provided by this update becomes effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, but early adoption is permitted. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The Company adopted the authoritative guidance effective October 1, 2011 and applied the guidance to the annual goodwill impairment assessment during the fourth quarter of 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income, which is effective for annual reporting periods beginning after December 15, 2011. In December 2011, the FASB deferred the requirement to present components of reclassifications of other comprehensive income on the face of the income statement that had previously been included in the June 2011 amended standard. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB amended its guidance to converge fair value measurement and disclosure requirements in U.S. GAAP with International Financial Reporting Standards ("IFRS"). This amendment addresses fair value measurement and disclosure requirements for the purpose of providing consistency and common meaning between U.S. GAAP and IFRS. This amendment is not intended to change the application of the requirements but primarily changes the wording to describe many of the requirements in U.S. GAAP for measuring fair value or for disclosing information about fair value measurements. This guidance is effective for periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In February 2010, the FASB issued amended guidance on certain recognition and disclosure requirements for subsequent events. The amended guidance requires an entity that is a filer with the SEC to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose a date, in both issued and revised financial statements, through

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(1) Summary of Operations and Significant Accounting Policies (Continued)

which the filer had evaluated subsequent events. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In January 2010, the FASB issued amended guidance on fair value measurements and disclosures. The new guidance requires additional disclosures regarding fair value measurements, amends disclosures about postretirement benefit plan assets, and provides clarification regarding the level of disaggregation of fair value disclosures by investment class. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods beginning after December 15, 2010. Accordingly, the Company adopted this in 2010, except for the additional Level 3 requirements, which will be adopted in 2011. Level 3 assets and liabilities are those whose fair market value inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

(2) Unaudited Pro Forma Information

The pro forma information has been presented to give effect to the following pro forma adjustments:

- The reclassification of the preferred members' interests from preferred interests to common stock and additional paid-in capital upon the Company's reorganization to a corporation and the exchange of all of the outstanding common members' interests of Shutterstock Images LLC for shares of common stock of Shutterstock, Inc. based on amounts outstanding as of December 31, 2011, prior to completing the Reorganization.
- The reclassification of an executive officer's profits interest award from other non-current liabilities to common stock and the accelerated vesting of 50% of the unvested portion of the executive officer's profits interest award in connection with the Reorganization. Refer to Note 11 for further details.
- The adjustment of \$ million to accumulated deficit in connection with recognition of a one-time compensation expense and increase to additional paid-in capital for the vesting of the equity award granted to one of the Company's employees.
- The payment of distributions in the amount of \$ prior to the Reorganization as a result of distributions declared and paid in the latest twelve months exceeding earnings for this period. The Company adjusted for the incremental number of shares from the IPO which will be required to pay the portion of the distributions that exceeded earnings.
- The tax effect of the reorganization of the Company from a New York limited liability company to a Delaware C-corporation. Prior to the Reorganization, the LLC was treated as a partnership and paid only city unincorporated business income tax. As a corporation, the Company will be responsible for the payment of all federal and state corporate income taxes in addition to city income tax. The unaudited pro forma net income, therefore, represents the Company's net income for the period as adjusted to give effect to the incremental provision for income taxes as if the LLC had been a corporation and subject to income taxes at an assumed combined federal, state and city tax rate of %.

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(2) Unaudited Pro Forma Information (Continued)

For the purposes of the pro forma net income per share of common stock calculations, the Company has assumed that the Reorganization had occurred as of January 1, 2011. The basic and diluted pro forma per share of common stock calculations are presented below (in thousands, except per share amounts). The basic pro forma net income per share of common stock is computed by dividing net income available to common stockholders by the pro forma weighted average number of shares of common stock outstanding during the period. The diluted pro forma net income per share of common stock calculation also assumes the conversion, exercise or issuance of all potential shares of common stock, unless the effect of inclusion would be anti-dilutive.

	Year Ended December 31, 2011
Basic and Diluted pro forma net income per share of common stock	
Numerator:	
Net income	\$
Denominator:	
Weighted average shares of common stock outstanding—basic	
Add: Incremental shares required to pay a portion of distributions that exceeded earnings for the previous twelve months	
Weighted average shares of common stock outstanding—basic	
Add: Additional shares arising from the assumed exercise of options and issuance of potentially dilutive unvested restricted shares of common stock	
Weighted average shares of common stock outstanding—diluted	<u> </u>
Net income per share of common stock—basic	\$
Net income per share of common stock—diluted	<u> </u>

The pro forma basic net income per share of common stock reflects (i) shares of common stock resulting from the reclassification of all common and preferred members' interests to shares of common stock, (ii) the issuance of shares of common stock upon the reclassification of an executive officer's profits interest award and accelerated vesting of 50% of the unvested profits interest award, (iii) the issuance of shares of common stock resulting from the vesting of equity awards to one of our key employees in connection with the Reorganization, and (iv) additional shares of common stock from this offering, which will be required to pay the portion of the distributions that exceeded earnings for the previous twelve months. The pro forma diluted net income per share of common stock reflects the dilution caused by the assumed exercise of stock options related to the VAR Plan and the issuance of potentially dilutive unvested restricted shares of common stock related to equity grants resulting from the modification of the profits interest award granted to an executive officer.

(3) Acquisition

On September 18, 2009, the Company acquired certain assets and liabilities of Bigstockphoto, Inc., ("Bigstock"), an internet-based microstock photography agency, for approximately \$3.3 million in cash. The primary purpose of the acquisition was to expand our product offerings. The acquisition provided a broader range of customers and price points, primarily as a result of Bigstock's credit-based pricing plans.

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(3) Acquisition (Continued)

Goodwill arising from the acquisition consists primarily of the synergies and cost reductions through economies of scale expected and realized from combining the operation of the Company and Bigstock. The assets acquired and liabilities assumed were recognized at their fair values as of the acquisition date. The Company determined the fair value of the tangible and intangible net assets with the assistance of a third party valuation expert. The following table summarizes the recording of assets acquired and liabilities assumed as of the date of the transaction:

Cash	\$ 1,404
Accounts receivable	26
Definite lived intangibles	1,550
Goodwill	1,423
Total assets	<u>\$ 4,403</u>
Other current liabilities	15
Credit card payables	26
Commissions payable	416
Deferred revenue	600
Total liabilities	<u>\$ 1,057</u>
Total purchase price	<u>\$ 3,346</u>

Goodwill acquired in this acquisition is deductible for income tax purposes.

The following table summarizes the Company's unaudited pro forma revenue and net income for the years ended December 31, 2009 as if the Company acquired Bigstock as of January 1, 2009:

	Year Ended December 31, 2009
Pro forma revenue	<u>\$ 63,344</u>
Pro forma net income	<u>\$ 19,363</u>

The fair values of the definite lived intangibles and deferred revenue were determined using various valuation techniques. Cash, accounts receivable, other current liabilities, credit card payables and commissions payable were valued using a historical cost basis as this basis approximates fair value.

The following table summarizes the fair value estimates of the identifiable intangible assets and their weighted average useful life:

	Fair Value	Weighted Average Life (Years)
Customer relationships	\$ 600	4
Trade name	400	14
Contributor content	450	15
Non-compete agreement	100	3
Total intangible assets other than goodwill	<u>\$ 1,550</u>	

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(3) Acquisition (Continued)

The customer relationship, trade name, and non-compete agreement have been valued using the income approach method, which the Company determined was the most appropriate approach for those individual assets. The contributor content was valued using a cost approach method. Each of the intangible assets is amortized over their estimated useful life on a straight-line basis.

In connection with the acquisition, the Company entered into an employment arrangement with the owner of Bigstock. The terms of the twelve month arrangement included compensation of \$800 in exchange for post-acquisition service. For the years ended December 31, 2009 and 2010, the Company recorded \$200 and \$600, respectively, which is included in general and administrative expense. There was no compensation related charge for the year ended December 31, 2011.

(4) Goodwill and Intangible Assets

The Company's goodwill balance is attributable to its Bigstock reporting unit and is tested for impairment at least annually on October 1 or upon a triggering event. There have been no changes in the carrying amount of goodwill through December 31, 2011.

Intangible assets consist of the following as of December 31, 2010 and 2011:

	As of December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:			
Customer relationship	\$ 600	\$ (187)	\$ 413
Trade name	400	(35)	365
Contributor content	450	(38)	412
Non-compete agreement	100	(42)	58
Total	<u>\$ 1,550</u>	<u>\$ (302)</u>	<u>\$ 1,248</u>

	As of December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:			
Customer relationship	\$ 600	\$ (338)	\$ 262
Trade name	400	(64)	336
Contributor content	450	(68)	382
Non-compete agreement	100	(75)	25
Domain name	25	(1)	24
Total	<u>\$ 1,575</u>	<u>\$ (546)</u>	<u>\$ 1,029</u>

During 2011, the Company acquired a domain name for \$25 which is being amortized over fifteen years. Amortization expense was \$60, \$242 and \$244 for the years ended December 31, 2009, 2010, and 2011, respectively. The Company also determined that there was no indication of impairment for the

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(4) Goodwill and Intangible Assets (Continued)

intangible assets for all periods presented. Estimated amortization expense for the next five years is: \$235 in 2012, \$172 in 2013, \$60 in 2014, \$60 in 2015, \$60 in 2016 and \$442 thereafter.

(5) Property and Equipment

Property and equipment is summarized as follows:

	December 31,	
	2010	2011
Computer equipment and software	\$ 2,587	\$ 5,537
Furniture and fixtures	411	522
Leasehold improvements	39	395
Property and equipment	<u>3,037</u>	<u>6,454</u>
Less accumulated depreciation	<u>(1,334)</u>	<u>(2,610)</u>
Property and equipment, net	<u>\$ 1,703</u>	<u>\$ 3,844</u>

Depreciation expense amounted to \$344, \$632, and \$1,276, for the years ended December 31, 2009, 2010 and 2011, respectively. Depreciation expense is included in cost of revenue and general and administrative expense based on the nature of the asset.

(6) Income Taxes

The following table summarizes the consolidated provision for income taxes:

	Year Ended December 31,		
	2009	2010	2011
Current:			
Local provision (benefit)	\$ 1,143	\$ 1,169	\$ 723
Deferred:			
Local provision (benefit)	(234)	(293)	253
Provision for income taxes	<u>\$ 909</u>	<u>\$ 876</u>	<u>\$ 976</u>

The provision for income taxes differs from statutory income tax rate as follows:

	Year Ended December 31,		
	2009	2010	2011
Local tax	4.0%	4.0%	4.0%
Permanent differences	0.6%	0.4%	0.5%
Total provision for income taxes	<u>4.6%</u>	<u>4.4%</u>	<u>4.5%</u>

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(6) Income Taxes (Continued)

The Company's deferred tax assets and liabilities consist of the following:

	Year Ended December 31,	
	2010	2011
Current		
Deferred revenue	\$ 788	\$ 547
Accrued liabilities	154	97
Current deferred tax assets	942	644
Non-current		
Depreciation and amortization	(33)	(3)
Other non-current liabilities	46	61
Non-current deferred tax assets (liabilities)	13	58
Total deferred tax assets, net	\$ 955	\$ 702

(7) Commitments and Contingencies

The Company leases facilities under agreements accounted for as operating leases. Rental expense for operating leases for the years ended December 31, 2009, 2010, and 2011 was approximately \$819, \$872, and \$1,113, respectively. Some leases have defined escalating rent provisions, which are expensed over the term of the related lease on a straight-line basis commencing with the date of possession. Any rent allowance or abatement is netted in this calculation. All leases require payment of real estate tax and operating expense increases.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2011 are as follows:

<u>Year Ending December 31</u>	<u>Operating Leases</u>
2012	\$ 1,074
2013	1,033
2014	364
2015	182
Thereafter	—
Total minimum lease payments	<u>\$ 2,653</u>

Capital Expenditures

During 2010, the Company began expanding server hosting facilities to accommodate increased business. As a result, the Company spent approximately \$1,900 for servers and related hardware for the year ended December 31, 2011, which is included in "Assets—Property and equipment, net" on the balance sheet. As of December 31, 2011, the Company had committed to purchase approximately \$900 in data server equipment.

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(7) Commitments and Contingencies (Continued)

Unconditional Purchase Obligations

As of December 31, 2011, the Company had unconditional purchase obligations in the amount of \$1,224, which consisted primarily of contracts related to infrastructure services and contractual commitments for marketing services. The Company's unconditional purchase obligations for the years ending December 31, 2012 and 2013 are \$852 and \$372, respectively.

Legal Matters

From time to time, the Company may become involved in legal claims arising in the ordinary course of its business. If a potential loss from any claim or legal claim is considered probable and the amount can be estimated, the Company accrues a liability for the estimated loss. Because of the uncertainty of any outcome, accruals are based only on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability related to pending claims and litigation. While the Company cannot be assured as to the ultimate outcome of any legal claims, the Company is not currently a party to any legal claim.

Indemnifications

In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to customers with respect to certain matters, including, but not limited to, losses arising out of the breach of Company's intellectual property warranties for damages to the customer directly attributable to the Company's breach. The Company is not liable for any damages, costs, or losses arising solely as a result of the modifications to Company content made by the customer. The standard maximum aggregate obligation and liability to any one customer for all claims is limited to \$10. The Company offers certain of its customers greater levels of indemnification, including unlimited indemnification. As of December 31, 2010 and 2011, the Company has recorded no liabilities related to indemnifications.

Employment Agreements

The Company has entered into employment and change of control arrangements with certain executive officers and with certain employees. The agreements specify various employment-related matters, including annual compensation, performance incentive bonuses, and severance benefits in the event of termination with or without cause. The Company's employment agreement between the former Bigstock owner and the Company expired in 2010. See Note 3 for further discussion.

(8) Employee Benefit Plans

The Company had a Simple IRA plan ("IRA Plan") that covered all eligible employees. The plan was implemented on June 7, 2007. The Company provided for annual discretionary employer matching contributions not to exceed 3% of employees' compensation for the year. Matching contributions were fully vested and non-forfeitable.

The Company terminated the IRA Plan on December 31, 2010 and replaced it with a 401(k) defined contribution plan ("401(k) Plan"). Similar to the IRA Plan, the Company provides for annual discretionary employer matching contributions not to exceed 3% of employees' compensation for the year. Matching contributions also are fully vested and non-forfeitable at all times.

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(8) Employee Benefit Plans (Continued)

The Company recorded \$42, \$77, and \$221 of employer matching contributions for the years ended December 31, 2009, 2010, and 2011, respectively.

(9) Value Appreciation Rights Plan

Since June 7, 2007, the Company has been organized as a limited liability company. Beginning in 2011, the Company granted equity rights similar to options under a Value Appreciation Rights ("VAR") Plan. Such VAR grants have an exercise price, a vesting period and an expiration date, in addition to other terms similar to typical equity option grant terms. For the convenience of communicating the issuance of VAR grants to employees, the BOM designated a total of 3,000,000 notional units for the VAR Plan to represent 10% of the Company's overall interest. The VAR grants are subject to a time-based vesting requirement and a condition that a change of control occur for a payment to trigger with respect to the VAR grants. Given the change-of-control condition, there was no equity based compensation charge recorded for the year ended December 31, 2011. In connection with the Company's reorganization to a corporation, the VAR grants will be exchanged for options to purchase shares of common stock of Shutterstock, Inc. with only a time-based vesting requirement, which will be granted pursuant to the Company's 2012 Omnibus Equity Incentive Plan.

The following is a summary of the Company's VAR Plan notional units and weighted average exercise price per notional unit:

	VAR Plan Units	Weighted Average Exercise Price
Units outstanding at December 31, 2010	—	\$ —
Units granted	1,370,500	15.08
Units exercised	—	—
Units cancelled or forfeited	(35,750)	14.51
Units Outstanding at December 31, 2011	<u>1,334,750</u>	<u>\$ 15.10</u>

No VAR Plan notional units were exercised or exercisable at December 31, 2011 as no qualifying event had occurred. The intrinsic value of the total VAR Plan notional units outstanding at December 31, 2011 was approximately \$2,100. No VAR Plan notional units expired during the year ended December 31, 2011. The following is a status summary of the Company's non-vested VAR Plan notional units for the year ended December 31, 2011:

	VAR Plan Units	Weighted Average Grant Date Fair Value
Unvested units at December 31, 2010	—	\$ —
Units granted	1,370,500	5.11
Units vested	—	—
Units cancelled or forfeited	(35,750)	4.83
Unvested units at December 31, 2011	<u>1,334,750</u>	<u>\$ 5.12</u>

SHUTTERSTOCK IMAGES LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(9) Value Appreciation Rights Plan (Continued)**

The following weighted average assumptions were used in the fair value calculation for the year ended December 31, 2011:

	Year Ended December 31, 2011
Expected term (in years)	5.5–6.6
Volatility	44%–47%
Risk-free interest rate	1.4%–2.9%
Dividend yield	0%

(10) Common Member Ownership Awards

On June 7, 2007, the Company entered into a Profit Interest Agreement with an executive of the Company whereby the executive received an 8.5% membership interest in the Company in consideration of future services to be rendered over a thirty-six month period starting on July 1, 2007. The Company recorded a compensation charge of \$1,833, and \$917 during the years ended December 31, 2009 and 2010, respectively, related to this membership interest award based upon the award's fair market value on the date of grant. There was no compensation charge recorded during the year ended December 31, 2011 as the executive was fully vested as of December 31, 2010.

On November 1, 2007, the Company entered into a Profit Interest Agreement with an employee of the Company whereby the employee received a 0.4% membership interest in the Company in consideration of future services to be rendered over a forty-eight month period starting on January 1, 2008. The award was determined to meet the characteristics of an equity based award and will be measured at fair value on the grant date. Based on the evaluation of the change of control condition, the Company has recorded no compensation charge to date for this award and will record a compensation charge based on fair value at the grant date when it is probable that the change of control condition will be achieved. Only upon a Qualified Public Offering or Liquidation of the Company, as defined in the operating agreement, shall the employee receive any benefit from this agreement. Based on the evaluation of this change of control condition, the Company has recorded no compensation charge to date for this award. The unrecognized compensation charge at December 31, 2011 is \$509.

(11) Common Member Ownership Subject to Put Feature

On August 17, 2010, the Company entered into a Profit Interest Grant Agreement ("Profit Interest Agreement") with an executive whereby the Company issued a membership interest in the Company in consideration of future services to be rendered. The Profit Interest Agreement terms stipulate that the executive shall have no rights to allocations or distributions relating to the Company's operating profits. The Profit Interest Agreement was effective as of April 5, 2010 and entitles the executive to an aggregate amount of 4% of any liquidation of the Company's in excess of \$300,000. The Profit Interest Grant vests over a six year period. The Profit Interest Agreement also contains a put feature whereby the executive has the option to put back to the Company up to 10% annually of any vested portion of the membership interest at the fair value on the date the executive would sell the vested interest back to the Company. Since the put feature does not subject the executive to the typical risks of stock ownership, the membership interest is classified as a liability award and recorded utilizing the intrinsic method. The Company recorded compensation charge of \$197 and \$2,122 during the years ended December 31, 2010 and 2011 which is

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(11) Common Member Ownership Subject to Put Feature (Continued)

included in other non-current liabilities as of December 31, 2010 and 2011. This liability will be re-measured each future reporting period until a triggering event occurs.

(12) Permanent and Non-Permanent Members' Equity*Common Members' Equity*

Permanent members' equity consists of common membership interests. Only certain members have voting rights as designated in the Company's Operating Agreement with respect to any action presented for a vote of the Company's members and only certain members are entitled to profit interest distributions from the Company's earnings. Common membership may not be transferred without prior consent from the Company's BOM.

Preferred Members' Equity

On June 6, 2007, the Company's then sole shareholder sold 25% of the common members' equity to outside investors for an aggregate purchase price of \$60 million. On February 28, 2008, the outside investors paid a purchase price adjustment in the amount of \$1.8 million to the selling member as a result of the Company achieving an EBITDA Target as defined in the purchase agreement. The outside investors have the same rights and terms as common members' equity holders except for a liquidation preference and a put preference. The put preference provides the outside investors with the option to redeem their investment for cash with proper notice to the Company on June 6, 2011 or thereafter. As of December 31, 2011, the outside investors have not exercised this put preference. The Company treated this transaction as an equity modification. As a result, the Company recorded the change in the fair value of the 25% interest immediately prior to and after the modification of the equity interest as a deemed dividend and charged it against common members' deficit on the modification date. The Company accreted the difference between the carrying value of the preferred membership interest and the redemption value by applying the effective interest method. The Company has concluded that the preferred interest possesses characteristics and risks more similar to equity and has classified such instrument outside of permanent equity. Since the preferred members' have the option to redeem their investment for cash with proper notice to the Company on June 6, 2011 or thereafter, the Company recorded the transaction outside of permanent equity. The purchase agreement also provides for the reduction of preferred interests for any distributions paid to the preferred holders. A summary of the Company's preferred members' interest account activity is as follows:

	<u>Balance</u>
Balance as of January 1, 2009	\$ 34,539
Preferred interest accretion	6,804
Distributions	(5,125)
Balance as of December 31, 2009	36,218
Preferred interest accretion	7,068
Distributions	(6,475)
Balance as of December 31, 2010	36,811
Preferred interest accretion	4,058
Distributions	(7,144)
Balance as of December 31, 2011	<u>\$ 33,725</u>

SHUTTERSTOCK IMAGES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(12) Permanent and Non-Permanent Members' Equity (Continued)

Distributions to Members

In accordance with the Company's Amended and Restated Limited Liability Company Agreement, cash distributions to the members will be based on their respective percentage interests to the extent cash is available as determined by the board. Distributions will also be limited to the extent that liabilities, excluding any owed to the members, exceed fair market value of the Company's assets. Upon a dissolution event of the Company, any assets will be distributed 1) to creditors, including members who are creditors, by payment or provision for payment of the debt and liabilities of the Company and the expenses of the liquidation; 2) to the setup of any reserves that are reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company; 3) to the preferred members until they have received distributions which, when aggregated with all prior distributions made to them equal their liquidation preference; 4) to Pixel Holdings Inc. which is the Company's majority member, until such time that it has received distributions equal to the liquidation preference paid to the preferred members; 5) 75% to the common member with 8.5% membership interest, and 25% to the preferred members, until the aggregate amount of the distributions made to the 8.5% membership interest holder equals the product of \$120,000 multiplied by their vested percentage; and 6) and finally to the members in proportion to their percentage interests.

(13) Related Parties

From time to time, customers will send payment for purchased subscriptions to Pixel Holdings Inc., which is wholly owned by the Company's majority interest holder. The Company recognizes revenue in accordance with its revenue recognition policy and collects the receivable from Pixel Holdings Inc. As of December 31, 2010 and 2011, uncollected payments were \$144 and \$168, respectively, and are included in due from member. The \$168 balance was paid in full by Pixel Holdings Inc. in 2012.

(14) Subsequent Events

The Company has granted 208,250 notional VAR units to new board members and employees pursuant to the VAR Plan through May 14, 2012.

On March 21, 2012, the Company entered into a new operating lease agreement expanding its New York City office space. The lease agreement expires on November 30, 2013 and aggregates \$493 in total rental payments over the term of the lease.

On March 29, 2012, the Company purchased three patents related to electronic interface search technology. The total cost of the patents was \$192.

On May 3, 2012, the Company formed Shutterstock, Inc. as a wholly-owned subsidiary.

The Company has distributed \$11,150 during 2012 to its members through May 8, 2012. No additional distributions have been declared through the issuance date.

The Company has evaluated subsequent events through May 14, 2012, the date the consolidated financial statements were issued.

fresh



fast



creative



trusted

innovative



global



growing



friendly



shutterstock

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 us in connection with the sale of common stock being registered. All expenses will be borne by the registrant (except any underwriting discounts and commissions and expenses incurred by the selling stockholders in this offering). All amounts shown are estimates except the SEC registration fee, the FINRA filing fee and the NYSE listing fee.

<u>Item</u>	<u>Amount</u>
SEC registration fee	\$ 13,179
FINRA filing fee	12,000
Initial NYSE listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer Agent and Registrar fees	*
Miscellaneous fees and expenses	*
Total	\$ *

* To be provided by amendment

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, the registrant's certificate of incorporation to be in effect upon the closing of this offering includes provisions that eliminate the personal liability of its directors for monetary damages for breach of their fiduciary duty as directors, except for the following:

- any breach of the director's duty of loyalty to the registrant or its stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law;
- under Section 174 of the Delaware General Corporation Law (regarding unlawful dividends and stock purchases); or
- any transaction from which the director derived an improper benefit.

To the extent Section 102(b)(7) is interpreted, or the Delaware General Corporation Law is amended, to allow similar protections for officers of a corporation, such provisions of the registrant's certificate of incorporation shall also extend to those persons.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, the bylaws of the registrant to be effective upon completion of this offering provide that:

- The registrant shall indemnify its directors and officers for serving the registrant in those capacities or for serving other business enterprises at the registrant's request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the

best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful.

- The registrant may, in its discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law.
- The registrant is required to advance expenses, as incurred, to its directors and officers in connection with defending a proceeding, except that such director or officer shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification.
- The registrant will not be obligated pursuant to the bylaws to indemnify a person with respect to proceedings initiated by that person, except with respect to proceedings authorized by the registrant's board of directors or brought to enforce a right to indemnification.
- The rights conferred in the bylaws are not exclusive, and the registrant is authorized to enter into indemnification agreements with its directors, officers, employees and agents and to obtain insurance to indemnify such persons.

The registrant's policy is to enter into separate indemnification agreements with each of its directors and officers that provide the maximum indemnity allowed to directors and executive officers by Section 145 of the Delaware General Corporation Law and also provides for certain additional procedural protections. The registrant's directors who are affiliated with venture capital firms also have certain rights to indemnification provided by their venture capital funds and the affiliates of those funds (the "Fund Indemnitors"). In the event that any claim is asserted against the Fund Indemnitors that arises solely from the status or conduct of these directors in their capacity as directors of the registrant, the registrant has agreed, subject to stockholder approval, to indemnify the Fund Indemnitors to the extent of any such claims. The registrant also maintains directors and officers insurance to insure such persons against certain liabilities.

These indemnification provisions and the indemnification agreements entered into between the registrant and its officers and directors may be sufficiently broad to permit indemnification of the registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act of 1933.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification in limited circumstances by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act of 1933 and otherwise.

Item 15. Recent Sales of Unregistered Securities

Since January 1, 2009, the registrant's predecessor, Shutterstock Images LLC, or the LLC, has issued and sold the following securities:

1. In August 2010, the LLC granted to an executive officer, in connection with his employment agreement, an equity interest in the company equal to 4% of the amounts distributed to the members of the LLC in excess of \$300 million.
2. Since January 1, 2009, the LLC has granted value appreciation rights, or VARs, equal to an aggregate of 5.0% of the LLC, at a weighted average exercise price of \$15.83 to 235 employees and directors under the Shutterstock Images LLC Value Appreciation Plan.
3. In connection with the registrant's reorganization from a New York limited liability company to a Delaware corporation, which will occur prior to this offering, Shutterstock, Inc. will issue an aggregate of _____ shares of its common stock to existing members of the LLC and options to purchase _____ shares of common stock at a weighted average exercise price of \$ _____ to _____

existing holders of VAR grants in the LLC pursuant to the registrant's 2012 Omnibus Equity Incentive Plan.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and the registrant believes the transactions were exempt from the registration requirements of the Securities Act of 1933 in reliance on Section 4(2) thereof, and the rules and regulations promulgated thereunder, or Rule 701 thereunder, as transactions by an issuer not involving a public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients of securities 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. If applicable, the recipient of securities were accredited or sophisticated and either received adequate information about the registrant or had access, through his relationships with the registrant, to such information.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

The list of exhibits is set forth under "Exhibit Index" at the end of the registration statement and is incorporated by reference herein.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in our consolidated 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 for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, 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; and
- (2) For the purpose of determining any liability under the Securities Act of 1933, 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, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York on May 14, 2012.

SHUTTERSTOCK, INC.

By: /s/ JONATHAN ORINGER

Jonathan Oringer
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Jonathan Oringer, Thilo Semmelbauer and Timothy E. Bixby, and each of them, as attorney-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act, and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of shares of common stock of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form S-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement, and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ JONATHAN ORINGER _____ Jonathan Oringer	Founder, Chief Executive Officer and Director (Principal Executive Officer)	May 14, 2012
/s/ THILO SEMMELBAUER _____ Thilo Semmelbauer	President and Chief Operating Officer	May 14, 2012
/s/ TIMOTHY E. BIXBY _____ Timothy E. Bixby	Chief Financial Officer (Principal Financial and Accounting Officer)	May 14, 2012
/s/ STEVEN BERNS _____ Steven Berns	Director	May 14, 2012

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> <p>/s/ JEFF EPSTEIN</p> <hr/> <p>Jeff Epstein</p>	Director	May 14, 2012
<hr/> <p>/s/ THOMAS R. EVANS</p> <hr/> <p>Thomas R. Evans</p>	Director	May 14, 2012
<hr/> <p>/s/ JEFFREY LIEBERMAN</p> <hr/> <p>Jeffrey Lieberman</p>	Director	May 14, 2012
<hr/> <p>/s/ JONATHAN MILLER</p> <hr/> <p>Jonathan Miller</p>	Director	May 14, 2012

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
2.1*	Agreement and Plan of Merger.
3.1*	Certificate of Incorporation of the Registrant, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect upon the closing of this offering.
3.3*	Form of Bylaws of the Registrant, as currently in effect.
3.4*	Form of Amended and Restated Bylaws of the Registrant, to be in effect upon the closing of this offering.
4.1*	Form of Common Stock Certificate.
4.2*	Form of Registration Rights Agreement between the Registrant and the investors listed on Schedule 1 thereto, to be in effect upon the closing of this offering.
5.1*	Opinion of Orrick, Herrington & Sutcliffe LLP.
10.1*	Form of Indemnification Agreement between the Registrant and each of its Officers and Directors.
10.2*+	2012 Omnibus Equity Incentive Plan and Form of Award Agreements.
10.3*+	2012 Employee Stock Purchase Plan and Form of Purchase Agreement.
10.4	Lease Agreement, between Shutterstock Images LLC and Wells 60 Broad Street, LLC, dated November 6, 2008.
10.5	Amendment to Lease between Wells 60 Broad Street, LLC and Shutterstock Images LLC, dated as of March 21, 2012.
10.6	Sublease between Shutterstock Images LLC and WJB Capital Group, Inc., dated as of November 18, 2010.
21.1*	List of Subsidiaries.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of Orrick, Herrington & Sutcliffe LLP (included in Exhibit 5.1).
24.1	Power of Attorney (included in signature page to Registration Statement).

* To be filed by amendment.

+ Indicates a management contract or compensatory plan or arrangement.

LEASE AGREEMENT

BUILDING: 60 BROAD STREET, NEW YORK, NEW YORK 10004

LANDLORD: WELLS 60 BROAD STREET, LLC

TENANT: SHUTTERSTOCK IMAGES LLC

TABLE OF CONTENTS

Section	Description
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12.	Rules and Regulations
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15.	Casualty
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17.	Taxes on Tenant's Property
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19.	Remedies
20.	Attorneys' Fees
21.	Security Interest
22.	Liens
23.	Waiver of Subrogation
24.	Tenant's Insurance
25.	Brokerage
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27.	Estoppel Certificates
28.	Notices
29.	Force Majeure
30.	Severability
31.	Amendments; Binding Effect
32.	Quiet Enjoyment
33.	Gender
34.	Joint and Several Liability
35.	Captions
36.	Exhibits and Attachments
37.	No Joint Venture
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40.	Governing Law
41.	Landlord's Managing Agent
42.	Exculpation
43.	Covenants are Independent
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44.	Building Directory
45.	Hazardous Materials
46.	Effect of Conveyance
47.	Guaranty
48.	Waiver of Right of Redemption
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50.	Interpretation
51.	No Recordation of Lease
52.	Electricity
53.	Bankruptcy
54.	Tenant's Work
55.	Cleaning / Security Service

56.	Incentive Programs
57.	Letter of Credit
58.	Entire Agreement
EXHIBIT "A"	Floor Plan
EXHIBIT "B"	Memorandum Confirming Term
EXHIBIT "C"	Rules and Regulations
EXHIBIT "D"	Special Provisions [if applicable]
EXHIBIT "E"	Work Letter [if applicable]
EXHIBIT "F"	Guaranty of Lease Obligations [if applicable]
EXHIBIT "G"	Cleaning Specifications
EXHIBIT "H"	Mold and Moisture Memorandum
EXHIBIT "I"	Intentionally Deleted
EXHIBIT "J"	Form of Letter of Credit

LEASE AGREEMENT

This Lease Agreement ("Lease") is entered into as of the 6th day of November, 2008 by and between WELLS 60 BROAD STREET, LLC ("Landlord" or "Owner"), c/o CRG Management, LLC, 744 Broad Street, 4th Floor, Newark, New Jersey 07102 and SHUTTERSTOCK IMAGES LLC ("Tenant"), a New York limited liability company, with offices at 60 Broad Street, 30th Floor, New York, New York 10004.

WITNESSETH:

1. Definitions and Basic Provisions. Certain definitions and basic provisions of this Lease are as follows:

- | | | |
|-----|---------------------|--|
| 1.1 | Lease Date: | November 6, 2008 |
| 1.2 | Tenant: | Shutterstock Images LLC |
| 1.3 | Tenant's Address: | 60 Broad Street
30th Floor
New York, New York 10004 |
| | Contact: | Dennis Gallagher |
| | Telephone: | (646) 257-4756 |
| 1.4 | Landlord: | Wells 60 Broad Street, LLC |
| 1.5 | Landlord's Address: | c/o CRG Management, LLC
744 Broad Street
4th Floor
Newark, New Jersey 07102
Attn.: Arthur R. Stern |

1.6 Premises: The entire rentable portion of the thirtieth (30th) floor (the "Premises" or "Demised Premises") in the office building located at 60 Broad Street, New York, New York 10004 (the "Building"). The Building and the land upon which it is situated (the "Land") are herein sometimes collectively called the "Project".

1.7 Lease Term: The period commencing on December 1, 2008, subject to adjustment provided in the Lease (the "Commencement Date"), and expiring on November 30, 2013 ("Expiration Date"). If the Commencement Date is a date other than the first day of a month, the Lease Term shall consist of said number of months in addition to the remainder of the month in which the Commencement Date occurs.

1.8 Base Rent:

December 1, 2008 through November 30, 2009	\$648,804.00 per annum \$ 54,067.00 per month
December 1, 2009 through November 30, 2010	\$668,268.12 per annum \$ 55,689.01 per month

December 1, 2010 through November 30, 2011	\$688,316.16 per annum \$ 57,359.68 per month
December 1, 2011 through November 30, 2012	\$708,965.65 per annum \$ 59,080.47 per month
December 1, 2012 through November 30, 2013	\$730,234.62 per annum \$ 60,852.88 per month

1.9 Security Deposit: \$365,117.28, in the form of cash or a letter of credit in accordance with Article 57 hereinafter;

1.10 Tenant's Percentage: 1.27% (0.0127)

1.11 Permitted Use: Subject to the terms and conditions of this Lease, general and administrative offices for a subscription-based on-line photo agency.

1.12 Lease Year: If the Commencement Date is the first day of a month, the Lease Year shall be the period of twelve (12) months commencing on the Commencement Date and each successive twelve (12) month period commencing on the anniversary of the Commencement Date. If the Commencement Date is a date other than the first day of a month, the Lease Year shall be the period of twelve (12) months commencing on first day of the first full month following the Commencement Date and each successive twelve (12) month period commencing on the anniversary of said date, however, the first Lease Year of the Lease Term shall also include the remaining days of the month in which the Commencement Date occurs. During any Lease Year within the Lease Term that is less than twelve (12) full months, any amount to be paid for such period shall be prorated, based on the actual number of months and the actual number of days of any partial month assuming each month to have thirty (30) days.

1.13 Anything in this Lease to the contrary notwithstanding, provided there is no Event of Default (hereinafter defined) under the terms, covenants and conditions of this Lease, Tenant shall have the right to use and occupy the Demised Premises free of Base Rent (but Tenant shall pay Additional Rent [hereinafter defined] and any direct charges during the aforesaid free Base Rent period), for a period beginning with the Commencement Date through and including ninety (90) days thereafter, after which period the Base Rent payments shall commence (the "Rent Commencement Date") in accordance with the terms of this Lease.

1.14 Supplementing Sections 1.7, 1.8, 1.13 and 2.2 hereinafter, in the event Landlord cannot deliver possession of the Premises to Tenant on or before the Commencement Date (except if caused by the acts or delays of Tenant), the dates set forth herein with respect to the Commencement Date, Rent Commencement Date and the Expiration Date shall be pushed back one (1) day for each day after the Commencement Date for which possession is not delivered to Tenant.

1.15 Tenant and Landlord acknowledge and agree that, in lieu of an operating escalation, a three percent (3%) annual increase of the Base Rent has been included in the Base Rent reserved hereunder.

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2. Lease Grant.

2.1 In consideration of the Rent (as hereinafter defined) to be paid and the other covenants and agreements to be performed by Tenant, Landlord does hereby lease, demise and let unto Tenant the Premises, shown on the floor plan attached hereto as Exhibit "A" and incorporated herein by reference, commencing on the Commencement Date and ending on the Expiration Date, unless sooner terminated as herein provided. Exhibit "A" sets forth the general layout of the Premises, but shall not be deemed a warranty, representation or agreement on the part of Landlord, that all or any part of the Premises is, will be, or will continue to be, configured as indicated thereon.

2.2 If this Lease is executed before the Premises become vacant, or otherwise available for occupancy, or if any tenant or occupant of the Premises holds over, and Landlord cannot acquire legal possession of the Premises prior to the Commencement Date, Landlord shall not be in default hereunder, and Tenant shall accept possession of the Premises when Landlord is able to tender the same, and such date shall be deemed to be the date Tenant shall have accepted the same as suitable for the purposes herein intended and to have acknowledged that the same comply with Landlord's obligations. If Landlord does not deliver possession of the Premises to Tenant on or before December 15, 2008 (the "Outside Date"), then after Landlord's receipt of written notice from Tenant to Landlord informing Landlord of such failure (the "Outside Date Notice"), Tenant shall receive one (1) day of free Base Rent for each day after the Outside Date that Landlord shall have failed to so deliver the Premises as required to Tenant, provided that (i) Tenant has complied with the terms and provisions of this Lease and (ii) Landlord's failure to deliver the Premises by the Outside Date is not due to a Tenant delay or force majeure (in which case such Outside Date shall be extended one [1] day for each day of such Tenant delay or force majeure). In addition, if Landlord does not deliver possession of the Premises to Tenant on or before January 15, 2009 (the "Second Outside Date"), then after Landlord's receipt of written notice from Tenant to Landlord informing Landlord of such failure (the "Second Outside Date Notice"), Tenant shall have the right to terminate this Lease on written notice to Landlord and have no further liability hereunder, provided that Landlord's failure to deliver the Premises by the Second Outside Date is not due to a Tenant delay or force majeure (in which case such Outside Date shall be extended one [1] day for each day of such Tenant delay or force majeure).

2.3 In the event Section 1.7 herein does not set forth a date certain as the Commencement Date, then within ten (10) days after request by Landlord, Tenant shall give Landlord a document confirming the Commencement Date, certifying that Tenant has accepted delivery of the Premises and that the condition of the Premises complies with Landlord's obligations hereunder. Such document shall be in substantially the form attached hereto as Exhibit "B" and such signed document shall be incorporated by reference into this Lease. The failure of Tenant to timely execute said document shall not affect the Commencement Date and Tenant shall, in such case, hereby appoint Landlord as Tenant's agent and attorney-in-fact to execute for the sole purpose of executing such document, in which case a copy of the document shall be delivered to Tenant within five (5) business days after the execution of the same by Landlord on the behalf of Tenant.

2.4 Notwithstanding anything to the contrary contained in this Lease, until Tenant has delivered to Landlord a certificate(s) of insurance evidencing strict compliance with all of the insurance procurement requirements required under Section 24 herein, Landlord shall have no obligation to deliver keys to the Premises and Tenant shall not be entitled to access to the Premises, commence any work to the Premises or otherwise occupy the Premises for any reason, regardless of whether or not the Lease Term and/or Tenant's obligation to pay Rent (hereinafter defined) has commenced.

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2.5 No vaults, vault space or area, whether or not enclosed or covered, not within the property line of the Building is leased hereunder, notwithstanding anything to the contrary contained in or indicated on any sketch, blueprint or floor plan, or anything contained elsewhere in this Lease. Landlord makes no representation as to the location of the property line of the Building. All vaults and vault space and all such areas not within the property line of the Building, if any, which Tenant may be permitted to use and/or occupy, is to be used and/or occupied under a revocable license, and if any such license be revoked, or if the amount of such space or area be diminished or required by any federal, state or municipal authority or public utility, Landlord shall not be subject to liability nor shall Tenant be entitled to any compensation or diminution or abatement of Rent, nor shall such relocation, diminution or requisition be deemed constructive or actual eviction. Any tax, fee or charge of municipal authorities for such vault or area shall be paid by Tenant.

2.6 Intentionally Deleted.

2.7 No easement for light, air or view is granted, given or implied herein. Any diminution or obstruction of light, air or view by any structure which may be erected on lands adjacent to the Project shall not affect this Lease or impose any liability on Landlord. Tenant shall not acquire any right or easement for the use of any door or passageway in any portion of the Building or the Project, except the easement of necessity for ingress and egress, if any, in the doors and passageway(s) directly connecting with the Premises.

2.8 Tenant acknowledges that it has inspected and examined the Premises and is thoroughly familiar and satisfied with the condition and value thereof; that no representations or warranties have been made to Tenant and that Landlord is unwilling to make any representations and has held out no inducements to Tenant, except as specifically set forth herein. Tenant accepts the Premises in "as is" condition, and Landlord shall not be required to perform any work at the Building or in the Premises in order to effectuate delivery of possession of the Premises to Tenant, except that Landlord shall perform Landlord's Work (as defined in Exhibit "E"), if any.

3. Rent / Security Deposit.

3.1 Tenant agrees to pay to Landlord, in advance on or before the first day of each month, the Base Rent, subject to any adjustment as provided in this Lease, without deduction or set off, for each month of the entire Lease Term. The first monthly installment of Base Rent (\$54,067.00) and the Security Deposit required under Section 1.9 (\$365,117.28) shall be due and payable by Tenant to Landlord upon execution of this Lease and the monthly installments of Base Rent shall be due and payable without demand on or before the first day of each calendar month thereafter during the Lease Term. All sums other than Base Rent payable by Tenant hereunder shall constitute "Additional Rent" (as further defined in Section 4(A)(i)). Base Rent and Additional Rent shall be collectively referred to in this Lease as "Rent". Rent for any period of less than a full month shall be prorated, based on one-thirtieth (1/30) of the current Rent for each day of the partial month this Lease is in effect.

3.2 Notwithstanding anything to the contrary contained in the Lease, Tenant shall deliver all Rent to the following address: Wells REIT - 60 Broad Street, P.O. Box 415147, Boston, MA 02241-5147.

3.3 If any installment of Rent (or any portion thereof) owed by Tenant to Landlord under this Lease is not received within ten (10) days after the due date thereof, without implying Landlord's consent to such late payment, Tenant, to the extent permitted by law, shall pay, in addition to said installment of Rent, a late payment charge equal to two percent (2%) per month of such installment of the Rent. Said late payment charge shall constitute liquidated damages and shall be for the purpose of reimbursing Landlord for additional costs and expenses which Landlord expects to incur in connection with the handling and processing of late installment payments of Rent owed by Tenant to Landlord hereunder. If there is such a late payment by

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Tenant, the damages resulting to Landlord will be difficult to ascertain precisely, and the foregoing late charge constitutes a reasonable and good faith estimate by the parties of the extent of such damages and does not constitute interest. Notwithstanding the foregoing, such late charges shall not apply to any sums that may have been advanced by Landlord to or for the benefit of Tenant pursuant to this Lease.

3.4 A. The Security Deposit, if any, shall be held by Landlord as security for the performance by Tenant of Tenant's covenants and obligations under this Lease. Such Security Deposit shall not be considered an advance payment of Rent or a measure of Landlord's damages in a default by Tenant. Upon any Event of Default (as hereinafter defined) by Tenant, Landlord may (but shall not be obligated to), without prejudice to any other remedy and without any further notice to Tenant, use the Security Deposit to the extent necessary to fund any arrearage of Rent and any other damage, injury, expense or liability caused to Landlord by such Event of Default. Following such application of the Security Deposit, Tenant shall pay to Landlord, within five (5) days of Landlord's written demand, the amount so applied to restore the Security Deposit to its original amount (failure to restore such Security Deposit shall be a further Event of Default). If there is not then an Event of Default, any remaining balance of the Security Deposit shall be returned by Landlord to Tenant upon termination of this Lease. If Landlord transfers its interest in the Premises during the Lease Term, Landlord may assign the Security Deposit to the transferee and, provided the transferee acknowledges receipt of same, thereafter shall have no further liability for the return of the Security Deposit.

B. Notwithstanding anything to the contrary contained in this Lease, provided that (a) this Lease is in full force and effect and Tenant shall not have been in an Event of Default of this Lease at any time, (b) Tenant shall have made all payments of Base Rent and Additional Rent payable under this Lease in a timely manner, (c) the Security Deposit has not already been reduced and (d) Tenant provides Landlord with a written request not more than thirty (30) business days prior to the end of the first (1st) Lease Year, Landlord shall return \$121,705.76 of the Security Deposit to Tenant, reducing it from \$365,117.28 to \$243,411.52 as of the beginning of the second (2nd) Lease Year of the Lease Term.

3.5 All Rent due hereunder that is not received following the expiration of any notice and cure period required under this Lease, or as otherwise set forth in this Lease, shall bear interest from the due date until paid in full at a rate equal to the lesser of: (a) eighteen percent (18%) per annum or (b) the maximum legal rate allowable by law (the "Default Rate"). If more than the maximum legal rate of interest should ever be collected with regard to any sum due hereunder, said excess amount shall be credited against future payment(s) of Rent due and accruing thereafter. If no such further Rent accrues hereunder, said excess sums shall be promptly refunded by Landlord to Tenant upon demand by Tenant.

3.6 No payment by Tenant or receipt by Landlord of a lesser amount than the correct Rent shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction. Landlord may accept such check of payment without prejudice to Landlord's right to recover the balance or to pursue any other remedy. If any check delivered to Landlord by Tenant in payment of Rent is not honored by the financial institution upon which such check was drawn and is returned to Landlord for any reason whatsoever, Landlord may impose, as Additional Rent, a returned check service charge of \$75.00 each time a check is not honored and returned to Landlord. Such returned check service charge shall be in addition to and not in lieu of any late payment charge assessed pursuant the Section 3.3 above. If any two (2) checks delivered to Landlord by Tenant during a Lease Year in payment of Rent are not honored by the financial institution upon which such checks were drawn are returned to Landlord for any reason whatsoever (except if due solely to an error by the financial institution upon which the checks were drawn), Landlord may require, upon written notice to Tenant, that any and all subsequent payments of Rent be made by either cash, money order or cashier's check for the balance of the Lease Term. If Tenant is in arrears in the payment of Base Rent or Additional Rent, Tenant waives its right, if any, to designate the items in arrears against which any payments made by Tenant are to be

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credited and Landlord may apply any of such payments to any such items in arrears as Landlord, in its sole discretion, shall determine, irrespective of any designation or request by Tenant as to the items against which any such payments shall be credited.

3.7 Any late charge and/or interest assessed pursuant to Section 3.3 and Section 3.5, respectively, if not previously paid, shall be added to and become part of the next succeeding payment of Rent to be made hereunder and shall be deemed to constitute Additional Rent.

3.8 If Rent or any portion thereof shall be or become uncollectible by virtue of any law, governmental order or regulation, or direction of any public officer or body, Tenant shall enter into such agreement or agreements and take such other action (without additional expense to Tenant) as Landlord may reasonably request, as may be legally permissible, to permit Landlord to collect the maximum Rent from time to time during the continuance of such legal rent restriction as may be legally permissible, but not in excess of the amounts of Rent payable under this Lease. Upon the termination of such legal rent restriction, (a) the Base Rent and Additional Rent, after such termination, shall become payable under this Lease in the amounts set forth in this Lease for the period following such termination; and (b) Tenant shall pay to Landlord, if legally permissible, an amount equal to (i) the Rent which would have been paid pursuant to this Lease, but for such rent restriction, less (ii) the Rent paid by Tenant to Landlord during the period that such rent restriction was in effect.

4. Additional Rent.

A. The terms defined below shall for the purposes of this Lease have the meanings herein specified:

(i) "Additional Rent": All payments payable under this Lease (however denominated) by the Tenant to the Landlord other than Base Rent (including, but not limited to, amounts due under this Section 4 and Section 52 of this Lease). The failure to pay any Additional Rent shall give rise to the same right and remedies reserved to the Landlord under this Lease, at law or in equity as if such nonpayment were of Base Rent reserved hereunder.

(ii) "Taxes": All real estate taxes, sewer rents, water frontage charges, and assessments, special or otherwise (including but not limited to any improvement district charges or business improvement district fees), payable to the City of New York, New York or any other taxing authority with respect to the Project, and all taxes payable with respect to the rentals payable hereunder other than general income and gross receipts taxes (except that general income and gross receipts taxes shall be included if covered by the provisions of the following sentence). Taxes shall also include any taxes, charges or assessments payable to any taxing authority in whole or in part in lieu of the present method of real estate taxation, provided such substitute taxes, charges and assessments are computed as if the Building were the sole property of the Landlord subject to said substitute tax, charge or assessment. With respect to any Comparison Year (hereinafter defined), all expenses, including reasonable legal fees, experts' and other witnesses' fees, incurred in contesting the validity or amount of any Taxes or in obtaining a refund of Taxes or in attempting to prevent an increase in Taxes, may be considered as part of the Taxes for such Tax Year. Tenant shall not have the right to bring tax certiorari proceedings or other proceedings contesting the amount or validity of any Taxes. Notwithstanding anything to the contrary contained in the Lease, Taxes shall not include any general corporation, unincorporated business, succession, gains or transfer tax levied on Landlord.

(iii) "Base Tax Year": The fiscal year commencing July 1, 2008 and ending June 30, 2009.

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(iv) "Base Taxes": The Taxes actually paid with respect to the Base Tax Year.

(v) "Tax Year": Each twelve (12) month period commencing July 1st during the Lease Term.

(vi) "Tenant's Percentage": As defined in Section 1.10.

(vii) - (xii) Intentionally deleted.

(xiii) "Comparison Year" shall mean, with respect to Taxes, any Tax Year subsequent to the Base Tax Year, for any part or all of which there is Additional Rent payable in addition to the Base Rent provided for hereunder.

(xiv) The term "Landlord's Statement" shall mean an instrument or instruments prepared by Landlord comparing Taxes for the Base Tax Year with Taxes for the Comparison Year in question, and setting forth the Additional Rent due from Tenant for such Comparison Year pursuant to the provisions of this Section 4.

B. (i) If Taxes payable for any Comparison Year shall exceed the Base Taxes, Tenant shall pay as Additional Rent for such Comparison Year, an amount equal to Tenant's Percentage of the amount of such excess. If the amount of Taxes payable during the Base Tax Year is reduced by final determination of legal proceedings, settlement or otherwise, the reduced amount of such Base Taxes shall thereafter be used to determine the amount of the increase in the Additional Rent pursuant to this Section 4. In addition, the Additional Rent theretofore paid or payable under this Section 4 shall be recomputed on the basis of such reduction and the Tenant shall pay to Landlord as Additional Rent within twenty (20) days after being billed therefore, any deficiency between the amount of the increase in the Additional Rent theretofore computed and the amount thereof due as a result of such recomputation.

(ii) Provided that Tenant is not then in monetary default or material nonmonetary default of any terms, conditions or covenants of this Lease, that Tenant is not in stipulation of settlement with Landlord, and further provided that Tenant has paid its Tenant's Percentage of the increase in Taxes for which a refund has been awarded to Landlord, if Landlord shall receive a refund of Taxes for any Comparison Year with respect to which Tenant paid Additional Rent by reason of an increase in Taxes, Landlord shall set forth in the first Landlord's Statement thereafter submitted to Tenant the amount of such refund and the amount of the legal fees and other expenses incurred in connection with the collection of the refund, Tenant shall receive a credit against the installment or installments of Additional Rent allocable to Taxes next falling due equal to Tenant's Percentage of the amount by which the refund exceeds said fees and expenses, but in no event shall the credit exceed the amount of Additional Rent paid by Tenant in respect to Taxes for said Comparison Year.

C. Intentionally Deleted.

D. (i) At any time during or after any Comparison Year, Landlord may render to Tenant a Landlord's Statement(s) showing a comparison of the Taxes payable for the Comparison Year with the Base Taxes and the amount payable as Additional Rent resulting from each of such comparisons. Landlord's failure to render a Landlord's Statement during or with respect to any Comparison Year shall not eliminate or reduce Tenant's obligation to pay Additional Rent pursuant to this Section 4 for such Comparison Year, nor prejudice Landlord's right to render a Landlord's Statement during or with respect to any subsequent Comparison Year.

(ii) With respect to a Landlord's Statement showing Additional Rent due as a result of increased Taxes in a Comparison Year over Base Taxes, Tenant shall pay to Landlord the full amount of such increase within thirty (30) days after the rendition of such Landlord's Statement.

(iii) Notwithstanding Section 4(D)(i) and Section 4(D)(ii) above, Landlord may require, in its sole discretion, the payment of any increases in Taxes in a Comparison Year over Base Taxes to be estimated, in advance, and be due and payable as Additional Rent by Tenant in equal monthly installments, in advance on the first day of each month during such Comparison Year. In connection therewith, Landlord shall make a good faith estimate of the Additional Rent to be due by Tenant or, alternatively, may continue to bill Tenant based upon the monthly payments made by Tenant in the previous Comparison Year. From time to time during such Comparison Year, Landlord may re-estimate the Additional Rent to be due by Tenant for that Comparison Year and deliver a copy of the re-estimate to Tenant. Thereafter, the monthly installments of Additional Rent payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of such Comparison Year in question, Tenant shall have paid all of the Additional Rent as estimated by Landlord. Following the end of such Comparison Year and issuance by Landlord of a Landlord's Statement for such Comparison Year, Tenant shall, within thirty (30) days thereafter, pay to Landlord an amount equal to the amount of any underpayment of Tenant's Percentage of Taxes for such Comparison Year and, in the event of an overpayment, Landlord will credit Tenant the amount of Tenant's overpayment against subsequent payments of Taxes under this Section or refund such amount to Tenant if no such further Rent is to be due.

E. The expiration or termination of this Lease during any Comparison Year for any part or all of which there is Additional Rent payable by Tenant under this Section 4 shall not affect the rights or obligations of the parties hereto respecting such Additional Rent and any Landlord's Statement relating to such increase may, on a pro rata basis, be sent to Tenant subsequent to, and all such rights and obligations shall survive, and be prorated as of, any such expiration or termination. Any payments due under such Landlord's Statement shall be payable within twenty (20) days after such statement is sent to Tenant. If Landlord fails to provide a Landlord's Statement within three (3) years after the end of any Comparison Year, Landlord shall be foreclosed from billing Tenant for any Additional Rent relating thereto thereafter; however this should not preclude Landlord from giving Tenant a revised Landlord Statement at any time subsequent to the date that Landlord has already provided a Landlord Statement to Tenant, provided that Landlord shall be foreclosed from billing Tenant for any Additional Rent relating thereto thereafter if such Landlord Statement is delivered more than three (3) years after the end of any Comparison Year.

F. Within sixty (60) days of its receipt of the Landlord's Statement, Tenant at its sole cost and expense shall have the right to review (or have its accountant review) in Landlord's offices and during Landlord's normal business hours the items in support of the calculations within the Landlord's Statement. If within such sixty (60) day period, Tenant does not give written notice stating in detail reasonable objections to such calculations, Tenant shall be deemed to have given approval of such calculations. Failure to pay such Additional Rent, when due, whether or not under protest, within said sixty (60) day period, shall constitute an Event of Default hereunder.

G. Any Landlord Statement given by Landlord pursuant to this Section 4 shall be binding upon Tenant unless, within sixty (60) days after its receipt of such notice, Tenant notifies Landlord of its disagreement therewith, specifying the portion thereof with which Tenant disagrees. Pending resolution of such dispute, Tenant shall, without prejudice to its rights, pay all amounts determined by Landlord to be due, subject to prompt refund by Landlord (without interest) upon any contrary determination.

5. Landlord's Obligations.

5.1 Subject to the limitations hereinafter set forth, Landlord shall furnish Tenant while occupying the Premises and while Tenant is not in default under this Lease, facilities to provide (a) water at those points of supply provided for general use of tenants of the Building; (b) heat and air conditioning in season from 8:00 a.m. to 6:00 p.m. Monday through Friday, except for holidays ("Regular Business Hours"), at temperatures and amounts reasonably considered by Landlord to be standard for normal office, such service at night and on Saturday afternoons, Sundays and holidays to be furnished only at the written request of Tenant; and (c) elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, provided that Landlord may limit the number of elevators to be in operation at times other than during Regular Business Hours for the Building and on holidays. If Tenant's use of water exceeds ordinary quantities or if Tenant uses water for any other purpose, at Landlord's option, Landlord may, at Tenant's cost and expense, install or cause to be installed and thereafter maintain, repair and replace (if necessary) hot and cold water meters for the purpose of measuring such consumption. All water consumed by Tenant at the Demised Premises, as measured by the water meter, if required hereunder, measuring consumption of water at the Demised Premises, together with all sewer rents applicable thereto, shall be paid for by the Tenant directly to the municipal authority or utility providing same (or to Landlord, at Landlord's sole option). Any actual charge Landlord incurs for the reading of said meters shall be paid by Tenant to Landlord, as Additional Rent, plus a ten percent (10%) charge for Landlord's administrative costs related thereto. If Tenant desires services specified in this Section 5.1 at any time other than during Regular Business Hours, such service shall be supplied to Tenant only at the request of Tenant delivered to Landlord before 3:00 p.m. on the date which is two (2) business days preceding such extra usage. Tenant shall pay to Landlord, as Additional Rent, the Landlord's customary charges for such service upon receipt of a bill thereafter. As of the date hereof, the charge for heat and air conditioning to the Premises at any time other than during Regular Business Hours is \$490.00 per hour, which charge is subject to increase from time to time by Landlord without notice and subject to (i) a one (1) hour minimum on weekdays [provided that if such requested service is not continuous with the Regular Business Hours, then there shall be a four (4) hour minimum charge] and (ii) a four (4) hour minimum on Saturdays, Sundays and holidays.

5.2 Landlord agrees to maintain the public and common areas (the "Common Facilities" or "Common Areas") of the Building, such as lobbies, stairs, corridors and rest rooms and other areas designated for public use, as constituted from time to time, in reasonably good order and condition, except for damage caused by Tenant, or its employees, agents or invitees. Subject to Landlord's rights under this Lease and the rules and regulations set forth in Exhibit "C", Tenant, its principals, employees and customers (for purposes of this Section 5.2, collectively the "Tenant") shall have the non-exclusive right to use the Common Areas, in common with Landlord, other tenants of the Building and other persons entitled to use the same. Tenant shall not interfere with the rights of other persons to use the Common Areas. Landlord may temporarily close parts of the Common Areas for such periods of time as may be necessary for (i) temporary use as a work area in connection with the construction of improvements within the Building or contiguous property, (ii) repairs or alterations in or to the Common Areas or to any utility type facilities, (iii) preventing the public from obtaining prescriptive rights in or to the Common Areas, (iv) security reasons, or (v) doing and performing such other acts as in the use of reasonable business judgment Landlord shall determine to be appropriate for the Building; provided, however, that Landlord shall use reasonable efforts not to materially interfere with or disrupt Tenant's business (but in no event shall Landlord be required to incur overtime charges). In addition, Landlord may at any time remodel or alter the Building, or change the location of any entrance thereto, sidewalks, passageways or any other portion thereof not occupied by Tenant (including the Common Areas), and the same shall not constitute a constructive, actual, total or partial eviction. In connection therewith, Landlord shall use reasonable efforts not to materially interfere with or disrupt Tenant's business or Tenant's reasonable access to the Premises (but in no event shall Landlord be required to incur overtime charges).

5.3 For each supplemental HVAC unit, if any, servicing the Premises, Tenant shall pay Landlord as Additional Rent for condenser water the then Building-standard annual usage charge (which is currently \$650.00 per ton per annum, subject to increase), said payment to be payable on an annual basis by Tenant within ten (10) days after written demand thereof. Tenant shall also pay Landlord as Additional Rent in connection therewith the then Building-standard one-time tap-in fee (which is currently \$5,000.00 per connection, subject to increase). The above charges are subject to increase from time to time during the term of this Lease in direct proportion to increase(s) in costs incurred by Landlord attributable thereto. Upon receipt of the aforementioned tap-in fee, Landlord shall tap into the condenser water service system of the Building's condenser water service system.

5.4 Failure to any extent to make available, or any slow-down, stoppage or interruption of the services set forth in Section 5.1 or Section 5.5 hereinafter resulting from any cause (including, but not limited to, Landlord's compliance with [a] any voluntary or similar governmental or business guideline now or hereafter published or [b] any requirements now or hereafter established by any governmental agency, board or bureau having jurisdiction over the operation and maintenance of the Building) shall not render Landlord liable for damages to person, property, or business, nor be construed as an eviction of Tenant or work an abatement of Rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. If any equipment or machinery furnished by Landlord breaks down or for any cause ceases to function properly, Landlord shall use reasonable diligence to repair same promptly, but Tenant shall have no claim for abatement of Rent or damages for any interruptions in service occasioned thereby or resulting therefrom.

5.5 Tenant shall take good care of and keep the Premises clean, however, Landlord shall provide basic janitorial services to and rubbish removal from the Demised Premises in accordance with standard Building practice (which current practice is outlined in Exhibit "G" attached to this Lease).

5.6 Landlord reserves the right to stop the service of the heating, air conditioning, ventilating, elevator, plumbing, electrical, communications or other mechanical systems or facilities in the Building when necessary by reason of accident or emergency, or for repairs, alterations, replacements or improvements, which, in the reasonable judgment of Landlord are desirable or necessary, until said repairs, alterations, replacements or improvements shall have been completed. The exercise of such right by Landlord shall not constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Rent, or relieve Tenant from any of its obligations under this Lease, or impose any liability upon Landlord or its agents by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business, or otherwise. Landlord shall employ reasonable diligence in attempting to restore the operation of any such systems or facilities without any obligation, however, to employ labor at overtime or other premium pay rates.

5.7 If an excavation shall be made upon land adjacent to the Project, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation license to enter the Premises for the purpose of doing such work as said person shall deem necessary to preserve the wall or the Building from injury or damage and to support the same by proper foundation without any claim for damages or indemnity against Landlord, or diminution or abatement of Rent. In connection therewith, Landlord shall use reasonable efforts not to unduly interfere with or disrupt Tenant's business (but in no event shall Landlord be required to incur overtime charges).

5.8 Tenant shall replace, at its sole cost and expense, any glass damaged or broken from any cause whatsoever in and about the Premises. If Tenant fails to do so within five (5) business days after written notice from Landlord, then Landlord, at its option, may replace such damaged or broken glass at Tenant's sole cost and expense and bills therefor shall be due from and payable by Tenant, and the amount

thereof shall be deemed to be, and paid as, Additional Rent.

5.9 Notwithstanding anything to the contrary contained in this Article, if (i) there shall be an interruption or suspension of any of the Building's services, causing an interruption of the conduct of Tenant's business in the Demised Premises, as a result of the performance by Landlord of its repair obligations under this Lease (an "Interruption"), (ii) such Interruption shall continue for at least twenty (20) consecutive business days following receipt by Landlord of written notice from Tenant describing such Interruption, (iii) such Interruption shall materially impair the operation of Tenant's business in the Demised Premises, render the Demised Premises inaccessible or untenable and, in each event, cause Tenant not to use the Demised Premises for the conduct of Tenant's business, (iv) such Interruption shall not have been caused, by reason of the failure on the part of any public utility company servicing the Building to provide such applicable service and (v) such Interruption shall not have been caused, in whole or in part, by reason of (a) an event which is covered under any article of this Lease relating to casualty or condemnation, (b) an act or omission on the part of Tenant in default or violation of this Lease or Tenant's obligations hereunder or (c) the negligence of Tenant or Tenant's agents, servants, employees, contractors or visitors (with respect to visitors, when in the Demised Premises) (an Interruption that satisfies all of the foregoing conditions, a "Material Interruption"), then, as Tenant's sole remedy in connection with such Material Interruption, Tenant shall be entitled to a fair diminution of Base Rent for the period which shall begin on the twenty-first (21st) consecutive business day of such Material Interruption and which shall end on the earlier of (x) the day following the day on which such Material Interruption shall cease or (y) Tenant shall recommence the use of the Demised Premises for the conduct of Tenant's business.

6. HVAC. Tenant, at its sole cost and expense, shall maintain and repair any ventilation, heating and air-conditioning unit(s)/system(s) in the Demised Premises, as to keep same in working order throughout the Lease Term. Further, Tenant shall procure, in a prompt and diligent manner at its sole cost and expense, a service contract for any unit/system installed in the Premises by Tenant or Landlord, and supply a copy of same to Landlord and its managing agent. In addition, Tenant acknowledges and agrees that all unit(s)/system(s) within the Premises (whether now existing or hereinafter installed by either party) are the property of Landlord, and shall remain at the Demised Premises upon the expiration or earlier termination of this Lease. Tenant must leave any unit(s)/system(s) within the Premises in good working order and condition.

7. Permitted Use / Prohibitions. Tenant shall use the Premises only for the Permitted Use. Tenant will not occupy or use the Premises, or permit any portion of the Premises to be occupied or used, for any business or purpose other than the Permitted Use, in violation of any term or provision of this Lease or for any use or purpose which is unlawful in part or in whole or deemed to be disreputable in any manner, nor permit anything to be done which will in any way increase the rate of insurance on the Building. Tenant will conduct its business and control its agents, employees and invitees to not create any nuisance, nor interfere with, annoy or disturb other tenants or Landlord in the management of the Building. Tenant will maintain the Premises in a clean, healthful and safe condition and will comply with all laws, orders, rules, regulations and ordinances of all federal, state or local governmental or quasi-governmental entity or authority, agency, municipality or other bodies having jurisdiction thereof. Tenant agrees that Tenant will not bring or permit any obscene or pornographic material (defined for the purposes hereof as any written or pictorial matter with prurient appeal or any objects or instrument that are primarily concerned with lewd or prurient sexual activity) into the Premises or any part of the Project, and shall not permit or conduct any obscene, nude, or semi-nude live performances in the Premises or any portion of the Project, nor permit use of the Premises for nude modeling, rap sessions, as a sex club of any sort or as a massage parlor. It is further

Tenant shall not place a load upon any floor of the Premises exceeding the floor load per square foot which such floor was designated to carry or which is allowed by law; Landlord hereby reserving the right to prescribe the weight and position of all safes or other unusually heavy equipment which must be placed so as to distribute the weight. Business machines and mechanical equipment shall be placed in settings sufficient in Landlord's reasonable judgment to absorb and prevent transmission of vibration, noise and annoyance. Tenant shall not create any excessive noise or vibration levels which shall interfere with the quiet enjoyment of the other tenants/licensees occupying other portions of the Project. Tenant agrees to promptly notify Landlord, in writing, of all noise complaints or summons that it receives and to submit a proposal reasonably satisfactory to Landlord as to how to handle same and assure that such complaints shall not recur. In addition to any other right or remedy Landlord has under this Lease, in the event that any legal action is brought against Landlord by any municipal authority having jurisdiction, arising out of noise emanating from the Premises, Tenant shall pay Landlord, upon demand, all of the reasonable attorney's fees and disbursements incurred by Landlord in defending such action.

Notwithstanding the foregoing, Tenant agrees that it and anyone holding through Tenant (including any sublessee/assignee) may not use the Premises or a portion thereof for any of the following designated uses nor for any other use which is substantially similar to any one of the following designated uses: (i) federal, state or local governmental division, department or agency which generates heavy public traffic, including, without limitation, court, social security offices, labor department office, drug enforcement agency, motor vehicle agency, postal service, military recruitment office; (ii) union or labor organization; (iii) office for the practice of medicine, dentistry or the rendering of other health related services; (iv) chemical or pharmaceutical company provided; however, that the subletting or assignment to such a company which will use the Premises only for executive, general and sales offices and waive the right to conduct any research and development shall not be prohibited; (v) insurance claims office, including, but not limited to, unemployment insurance or worker's compensation insurance; and (vi) brokerage firm.

If, at any time, Tenant violates any of the provisions of this Section 7, such violation shall be deemed an Event of Default following a five (5) day written notice and cure period. A violation of any of the terms of this provision shall give to the Landlord the right to restrain the same by injunctive relief and/or exercise any of Landlord's remedies provided for in this Lease. This Section 7 shall directly bind any successors in interest to the Tenant.

8. Repairs and Maintenance / Alterations / End of Lease Term.

8.1 Tenant will not deface or injure the Building, and will pay the cost of repairing any damage or injury done to the Building or any part thereof by Tenant or Tenant's agents, employees or invitees. Tenant shall take good care of the Premises and keep them free from waste and nuisance of any kind. Tenant shall (i) keep the Premises in good condition, (ii) keep all fixtures installed by Tenant in good condition and (iii) make all necessary non-structural repairs, except those caused by fire, casualty or acts of nature covered by Landlord's insurance policy (except as otherwise provided for in Section 15 of this Lease) covering the Building. The performance by Tenant of its obligations to maintain the Premises and make repairs shall be conducted only by contractors and subcontractors consented to by Landlord and Tenant shall procure and maintain and shall cause such contractors and subcontractors engaged by or on behalf of Tenant to procure and maintain insurance coverage against such risks, in such amounts and with such companies as Landlord requires in connection with such maintenance and repair.

8.2 If Tenant fails to make the repairs described in Section 8.1 of this Lease within ten (10) days after the occurrence of the damage or injury (or a shorter time period in the event of any emergency, as determined by Landlord using reasonable judgment), Landlord may at its option make such repair, and Tenant shall, upon demand therefor, pay Landlord for the cost thereof (such cost being deemed Additional

Rent).

8.3 The performance of any alterations, physical additions or improvements to the Premises by Tenant shall be governed by the terms of Section 54 hereinafter and Exhibit "E". Except as otherwise expressly set forth in this Lease, Tenant will not make or allow to be made any alterations or physical additions in or to the Premises without the prior written consent of Landlord. All alterations, additions or improvements (whether temporary or permanent in character) made in or upon the Premises by Landlord or Tenant shall be Landlord's property on termination or expiration of this Lease and shall remain on the Premises without compensation to Tenant, provided that Landlord, at its option, may by notice to Tenant, require Tenant to remove any such alterations, additions or improvements at Tenant's cost and restore the Premises to the condition as of the Commencement Date, normal wear and tear excepted. All furniture, movable trade fixtures and equipment (or any other items) installed by Tenant shall be removed by Tenant at the expiration or earlier termination of this Lease. If such furniture, moveable trade fixtures and equipment are not removed by Tenant at the expiration or earlier termination of this Lease, such items shall be considered abandoned by Tenant and shall, at Landlord's option, become property of Landlord or may be removed by Landlord at Tenant's sole cost and expense. All such removals and restoration shall be accomplished in a good workmanlike manner so as not to damage the Premises or the Building, (including, without limitation, the structure of the Building or the plumbing, electrical or other utilities therein).

8.4 Tenant may contract separately with providers of telecommunications or cellular products, systems or services for the Premises. Even though such products, systems or services may be installed or provided by such providers in the Building, in consideration for Landlord's permitting such providers to provide such services to Tenant, Tenant agrees that Landlord and the Landlord Indemnities (defined below) shall in no event be liable to Tenant, its employees, agents, principals and affiliates for any damages of any nature whatsoever arising out of or relating to the products, systems or services provided by such providers (or any failure, interruption, defect in or loss of the same) or any acts or omissions of such providers in connection with the same or any interference in Tenant's business caused thereby. Tenant waives and releases all rights and remedies against Landlord and the Landlord Indemnities that are inconsistent with the foregoing. "Landlord Indemnities" shall be deemed to include, but not be limited to, the Landlord's employees, agents, affiliates and mortgagees.

8.5 Tenant, at its own cost and expense, shall install and maintain all equipment and appliances as may be required by, and otherwise fully comply with, all applicable governmental codes and regulations (including, but not limited to, those imposed by the fire department, state board of fire underwriters or any fire insurance rating organization) and as required by Landlord's insurers, including but not limited to, fire alarm, smoke alarm, fire extinguisher appliances and systems, except that nothing contained herein shall require Tenant to make structural changes to the Demised Premises, unless such changes are required as a result of Tenant's use or manner of use of the Demised Premises or any Tenant's Work (as defined in Section 54 hereinafter) or Tenant's acts or negligence.

8.6 Upon the Expiration Date or earlier termination of this Lease, in addition to all other specific obligations of Tenant under this Lease regarding repairs and restorations, and subject to the terms contained in this Section 8, Tenant shall quit and surrender the Premises to Landlord broom clean and in good order, condition and repair (except for reasonable wear and tear, casualty and event of force majeure) and shall deliver to Landlord all keys to the Premises. If Tenant does not deliver the Premises to Landlord as provided for in this Lease, without prejudice to any other remedy, Tenant specifically agrees that Landlord, without notice to Tenant, may render the Premises in the condition required hereunder and deduct the costs therefor from the Security Deposit (if any). In the event that there is no Security Deposit or if there is insufficient Security Deposit to cover Landlord's costs, Tenant shall pay Landlord for said costs promptly upon receipt of an invoice or Landlord's request therefor. This provision shall survive the expiration or earlier termination of

this Lease.

9. Subletting and Assigning.

9.1 A. If Tenant shall desire to assign this Lease or to sublet the Demised Premises in whole or in part, Tenant shall submit to Landlord a written request for Landlord's consent to such assignment or subletting ("Tenant's Proposal"), which Tenant's Proposal shall contain or be accompanied by the following information: (i) the name and address of the proposed assignee or subtenant; (ii) a description identifying the space to be assigned or sublet; (iii) the terms and conditions (financial and otherwise) of the proposed assignment or subletting; (iv) the nature and character of the business of the proposed assignee or subtenant and of its proposed use of the Demised Premises; and (v) current financial information and any other information as Landlord may reasonably request with respect to the proposed assignee or subtenant and the proposed assignment or subletting. Landlord shall have the option, to be exercised by notice given to Tenant within thirty (30) days after the later of (a) receipt of Tenant's Proposal for consent or (b) receipt of such further information as Landlord may reasonably request pursuant to clause (v) above to require a surrender of the Demised Premises or the portion thereto involved as of a date to be specified in said notice (the "Termination Date") which shall not be earlier than one day before the effective date of the proposed assignment or subletting or later than sixty-one (61) days after said effective date, in which event Tenant shall vacate and surrender the Demised Premises or the portion thereto involved on or before the Termination Date and the term of this Lease for the Demised Premises or the portion thereto involved shall end on the Termination Date as if that were the Expiration Date.

B. If Landlord shall not exercise its option under Section 9.1(A) above, Landlord shall not unreasonably withhold or delay its consent to the proposed subletting or assignment referred to in Tenant's Proposal given pursuant to Section 9.1(A) above, but only on the terms set forth therein, provided that the following further conditions shall be fulfilled:

(1) The Demised Premises shall not, without Landlord's prior consent, have been listed or otherwise publicly advertised for assignment or subletting at a rental rate lower than the higher of (a) the Base Rent and all Additional Rent then payable and (b) the then prevailing rental rate for other space in the Building; and Tenant shall not enter into any sublease at a rental rate lower than the higher of (i) the Base Rent and all Additional Rent then payable or (ii) the rental rate prevailing in the Building at the time of the proposed subletting;

(2) No space shall be sublet nor this Lease assigned to another tenant, or to a related corporation of any other tenant or to any other occupant of the Building, if Landlord shall then have available for rent similar space in the Building;

(3) No subletting or assignment shall be to a person or entity which, in Landlord's reasonable opinion, has a financial standing, is of a character, is engaged in a business, or proposes to use the Premises in a manner not in keeping with the standards of the Building;

(4) Any subletting shall be expressly subject to all of the obligations of Tenant under this Lease and, without limiting the generality of the foregoing, the sublease shall impose at least the same restrictions and conditions with respect to use as are contained in Section 1.11 and Section 7 and shall specifically provide that there shall be no further subletting of the sublet premises or assignment or mortgaging of the sublease;

(5) The term of such sublease shall end one (1) day prior to the Expiration Date or earlier termination of this Lease;

(6) The proposed subtenant or assignee shall not be a person or entity then negotiating with Landlord for the rental of any comparable space in the Building; to assist Tenant in complying with this clause, at Tenant's request Landlord shall respond within five (5) business days to any inquiry from Tenant as to whether a specific prospective subtenant noted in Tenant's Proposal is then negotiating with Landlord and if Tenant does not receive Landlord's response within said time period, said requirement shall be waived and Tenant shall be free to pursue said assignment or subletting to such prospective tenant, subject to the remaining conditions of this Article;

(7) Landlord shall be furnished with a duplicate original of the sublease or assignment documents within ten (10) days after the date of their execution and, in any event, together with the request for Landlord's consent;

(8) In the case of a subletting, Tenant shall pay to Landlord an amount equal to one-half (1/2) of any Base Rent and Additional Rent or other consideration paid to Tenant by any subtenant which is in excess of the Base Rent and Additional Rent then being paid by Tenant to Landlord pursuant to the terms hereof on a per square foot pro rata basis, net of brokerage fees, fix-up costs and legal fees, if any (all amortized, without interest, over the term of the sublease on a straight-line basis), incurred in connection with the subletting. All sums payable hereunder by Tenant shall be paid to Landlord as Additional Rent immediately upon receipt thereof by Tenant. If only a part of the Demised Premises is sublet then the rent paid therefor by Tenant to Landlord shall be deemed to be that fraction thereof that the area of said sublet space or assigned lease bears to the entire Demised Premises;

(9) There shall be no Event of Default by Tenant under any of other terms, covenants and conditions of this Lease at the time that Tenant submits Tenant's Proposal and on the date of the commencement of the term of any such proposed sublease or effective date of the proposed assignment; and

(10) The sublease shall provide by its terms that it may not be further modified in any material manner (including, without limitation, modification of the financial obligations, identity or character of the subtenant), without Landlord's consent, it being expressly agreed that any such modification shall, for the purposes of this Lease, be deemed and construed as a subletting for which Tenant must comply with this Section 9 as if such sublease had not been theretofore consented to by Landlord.

(11) The sublease shall provide that the subtenant shall, at Landlord's option, attorn to Landlord upon any termination of this Lease.

(12) Tenant shall grant CRG Real Estate Services, LLC or its affiliates, successors or assigns, collectively referred to as the ("Broker"), the non-exclusive right to effect any sublet, assignment, release and other disposition of all or any part of the Demised Premises and any other space Tenant has under lease elsewhere in the Building, and Tenant shall pay to Broker upon execution of such sublease, assignment, release or other disposition a commission computed in accordance with the Broker's standard rates and rules then in effect for the locality in which the Demised Premises are located.

C. No assignment of this Lease shall be binding upon Landlord unless, in addition to compliance with the prior provisions of this Section 9 (including Section 9.3), the assignee shall execute, acknowledge and deliver to Landlord (a) a duplicate original instrument of assignment in form and substance reasonably satisfactory to Landlord, duly executed by Tenant, and (b) an agreement, in form and substance reasonably satisfactory to Landlord, duly executed by the assignee, whereby the assignee shall unconditionally assume observance and performance of, and agree to be personally bound by all of the terms, covenants and

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conditions of this Lease on Tenant's part to be observed or performed, including, without limitation, the provisions of this Section 9 (including Section 9.3) with respect to all future assignments and subletting; but the failure or refusal of the assignee to execute or deliver such an agreement shall not release the assignee from its liability for the obligations of Tenant hereunder assumed by acceptance of the assignment of this Lease.

D. If this Lease shall be assigned, whether or not in violation of the terms of this Lease, Landlord may collect Rent from the assignee. If the Demised Premises or any part thereof be sublet or be used or occupied by anybody other than Tenant, whether or not in violation of this Lease, Landlord may collect Rent from the subtenant or occupant. In either event, Landlord may apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any provisions of this Section 9, or the acceptance of the assignee, subtenant or occupant as a tenant, or a release of Tenant from the further performance by Tenant of Tenant's obligations under this Lease, including the obligation to pay all Base Rent and Additional Rent. The consent by Landlord to an assignment, transfer, encumbering or subletting pursuant to any provision of this Lease shall not in any way be considered to relieve Tenant from obtaining the express prior consent of Landlord to any other or further assignment, transfer, encumbering or subletting. References in this Lease to use or occupancy by anyone other than Tenant shall not be construed as limited to and those claiming under or through but as including also licensees and others claiming under Tenant, immediately or remotely. The listing of any name other than that of Tenant on any door of the Demised Premises or on any directory or in any elevator in the Building, or otherwise, shall not operate to vest in the person so named any right or interest in this Lease or the Demised Premises, or be deemed to constitute, or serve as a substitute for, any consent of Landlord required under this Section 9, and it is understood that any such listing shall constitute a privilege extended by Landlord, revocable at Landlord's will by notice to Tenant. Tenant agrees to pay to Landlord all reasonable out-of-pocket cost that may be incurred by Landlord in connection with any proposed assignment of this Lease or any proposed subletting of the Demised Premises or any part thereof including the costs of making investigations as to the acceptability of a proposed subtenant or assignee and reasonable attorneys' fees. Neither any assignment of this Lease nor any subletting, occupancy or use of the Demised Premises or any part thereof by any person other than Tenant, nor any collection of Rent by Landlord from any person other than Tenant, nor any application of any such Rent as provided in this Section shall, under any circumstances except as set forth in Section B of this Section, relieve, impair, release or discharge Tenant of its obligations fully to perform the terms of this Lease on Tenant's part to be performed.

9.2 Notwithstanding the foregoing, without Landlord's consent, but upon ten (10) days' written notice to Landlord, this Lease may be assigned, or the Premises may be sublet, to any entity which is a parent, subsidiary or affiliate of Tenant. For the purposes of this Section 9, a "parent" shall mean a corporation (or other entity) which owns not less than one hundred percent (100%) of the outstanding stock (or interest) of Tenant, a "subsidiary" shall mean any corporation (or other entity) not less than one hundred percent (100%) of whose outstanding stock (or interest) shall be owned by Tenant, and an "affiliate" shall mean any corporation (or other entity) not less than one hundred percent (100%) of whose outstanding stock shall be owned by Tenant's parent.

9.3 For the purposes of this Lease, an "assignment" prohibited by this Section 9 shall be deemed to include the following: if Tenant is a partnership, a withdrawal or change (voluntary, involuntary, by operation of law) of any one or more of the partners thereof, if such withdrawal represents twenty-five percent (25%) or more of the partners in the partnership as then constituted, or the dissolution of the partnership; or, if Tenant consists of more than one person, a purported assignment, transfer, mortgage or encumbrance (voluntary, involuntary, by operation of law or otherwise) from one thereof to the other or other thereof, or to any third party; or, if Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, or any change in the ownership (voluntary, involuntary, by operation of law, creation of new stock or otherwise) of fifty percent (50%) or more of its capital stock from the ownership existing on the date of

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execution hereof, or, the sale of fifty percent (50%) of the value of the assets of Tenant.

9.4 If Landlord gives its consent to any assignment of this Lease, or if Tenant is otherwise permitted to make any assignment pursuant to this Lease, Tenant shall in consideration therefor, pay to Landlord, as Additional Rent, an amount equal to one-half (1/2) of all sums and consideration paid to Tenant by the assignee for or by reason of such assignment [including any sums paid for the sale, rental, or use of Tenant's Property (as defined in Section 17 hereinafter) in excess of the then unamortized value of Tenant's Property as reflected in Tenant's federal income tax returns] less the reasonable brokerage commissions and legal fees (all amortized, without interest, over the remaining term of this Lease, on a straight-line basis), if any, actually paid by Tenant in connection with such assignment. The sums payable under this Subsection 9.4 shall be paid to Landlord as and when payable by the assignee or subtenant to Tenant.

9.5 In no event shall Tenant be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counter claim or defense) based upon any claim or assertion by Tenant that Landlord has unreasonably withheld or unreasonably delayed its consent or approval to a proposed assignment or subletting as provided for in this Section. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance, injunction or declaratory judgment, in which case, the unsuccessful party among Tenant and Landlord shall pay the other's reasonable, actual attorneys fees in connection therewith.

9.6 In the event that Tenant fails to execute and deliver any assignment or sublease to which Landlord consented under the provisions of this Section within ninety (90) days after the giving of such consent, then Tenant shall again comply with all of the provisions of this Section before assigning its

interest in this Lease or subletting the Demised Premises.

9.7 Notwithstanding any provision in this Lease to the contrary, it shall not be unreasonable for Landlord to withhold its consent to any proposed transfer, assignment or subletting of the Premises if (i) the proposed transferee's anticipated use of the Premises involves the generation, storage, use, treatment, or disposal of Hazardous Material (as defined in Section 45 herein); (ii) the proposed transferee has been required by any prior landlord, lender, or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such transferee's actions or use of the property in question; or (iii) the proposed transferee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal, or storage of a Hazardous Material.

10. Indemnity. Tenant shall indemnify, hold harmless and defend Landlord (for whom, for purposes of this Section 10, shall be deemed to include all additional insureds required to be named under Tenant's commercial liability insurance policy, pursuant to Section 24 hereinafter) from and against all damages, suits, losses, costs, expenses, claims, causes of action, liabilities, and injuries (including without limitation, reasonable attorney's, consultant's and expert's fees and costs and litigation expenses) arising, or alleged to arise, from (a) bodily injury or personal injury suffered by any party and occurring in the Premises, unless caused by the willful or negligent acts of Landlord, its contractors, agents or employees; (b) bodily injury or personal injury to any party caused by Tenant, its contractors, agents or employees occurring outside the Premises; and/or (c) property damage caused or suffered by Tenant or any party inside the Premises or caused or suffered by Tenant, its contractors, agents or employees outside the Premises, unless due to the willful acts or negligence of Landlord, its contractors, agents or employees. Tenant shall, at its own expense, defend all actions brought against Landlord for which Tenant is or may be responsible for indemnification hereunder, with legal counsel reasonably acceptable to Landlord and if Tenant fails to do so, Landlord (at its option, but without being obligated to do so) may, at the expense of Tenant and upon notice to Tenant, defend such actions, and Tenant shall pay and discharge any and all judgments that arise therefrom. The terms of this Section 10 are subject to the provisions of Sections 23 and 24 herein. The provisions of this Section 10 shall

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survive the expiration or earlier termination of this Lease.

11. Subordination / Mortgagee's Right to Cure Landlord's Defaults. This Lease and all rights of Tenant hereunder are subject and subordinate to any deeds to secure debt, mortgages or any other instruments of security, as well as to any other superior leases, that now or hereafter cover all or any part of the Building, the Land or any interest of Landlord therein, and to any and all advances made on the security thereof, and to any and all increases, renewals, modifications, consolidations, replacements and extensions of any such instruments. This provision shall be self-operative and no further instrument shall be required to effect such subordination of this Lease. Tenant shall, however upon demand execute, acknowledge and deliver to Landlord any and all instruments and certificates that in the judgment of Landlord may be necessary or proper to confirm or evidence such subordination. Notwithstanding the generality of the foregoing provisions of this Section, Tenant agrees that any such mortgagee shall have the right at any time to subordinate any such instruments to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate. Tenant further covenants and agrees upon demand by Landlord's mortgagee at anytime, before or after the institution of any proceedings for the foreclosure of any such instruments, or sale of the Building pursuant to any such instruments, to attorn to such purchaser upon any such sale and to recognize such purchaser as Landlord under this Lease. The agreement of Tenant to attorn upon demand of Landlord's mortgagee contained in the immediately preceding sentence shall survive any such foreclosure sale. Tenant shall upon demand at any time or times before or after any such foreclosure sale, execute, acknowledge and deliver to Landlord's mortgagee any and all instruments and certificates that in the judgment of Landlord's mortgagee may be necessary or proper to confirm or evidence such attornment.

Landlord represents that Landlord currently has no mortgages covering the Building. Landlord will request from any future mortgagee(s) of the Building, if any, that it (and Landlord will use reasonable efforts to have said mortgagee(s)) execute and deliver to Tenant a document wherein it is agreed that, provided Tenant is not in default under any of the terms, conditions and/or provisions of this Lease, beyond any applicable grace period, neither Tenant's possession of the Demised Premises nor its rights under this Lease shall be disturbed. Tenant acknowledges and agrees that (i) it shall reimburse Landlord, on demand, for all of Landlord's reasonable costs (including, without limitation, all reasonable legal fees and disbursements) connected in any way with Landlord's above-mentioned request to the mortgagee(s) of the Building, (ii) no representations, warranties or promises have been made to Tenant that the mortgagee(s) of the Building will execute such a document, (iii) neither this Lease nor compliance by Tenant with any of its terms, conditions and/or provisions are conditioned, in any manner whatsoever, on (x) the execution or non-execution of such a document, or (y) the issue of whether Landlord used reasonable efforts to have said mortgagee(s) execute such a document and (iv) Tenant shall have no rights or remedies whatsoever against anyone or thing in the event the mortgagee(s) of the Building does not execute such a document.

12. Rules and Regulations. Tenant and Tenant's agents, employees and invitees will comply with all the rules and regulations of the Building, which are attached hereto as Exhibit "C" and incorporated herein by reference; it being understood that in the event of any conflict between this Lease and the rules and regulations, the provisions of this Lease shall control. Landlord in its sole judgment shall have the right to rescind or change such rules and regulations or to promulgate other rules and regulations in a manner deemed advisable for safety, care, or cleanliness of the Building and related facilities or Premises, and for preservation of good order therein, all of which rules and regulations, changes and amendments will be forwarded to Tenant in writing and shall be carried out and observed by Tenant. Tenant shall further be responsible for the compliance with such rules and regulations by the employees, servants, agents, visitors and invitees of Tenant and failure to comply shall be an Event of Default, following the expiration of any applicable notice and cure period set forth herein. The rules and regulations of the Building shall be applied to the Building's tenants/licensees in a non-discriminatory manner.

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13. Access to Premises. Landlord and its agents and representatives shall have the right to enter into and upon any and all parts of the Premises (a) to inspect or examine the Premises; (b) to determine the course and degree of completion of Tenant's Work and its compliance with Tenant's Plan (as defined in Section 54) and the terms of conditions of this Lease; (c) to perform any obligation of Landlord under this Lease or exercise any right or remedy reserved to Landlord under this Lease; (d) to erect, install, use and maintain pipes, ducts and conduits in and through the Premises; (e) to make such decorations, repairs, alterations, improvements or additions, or to perform such maintenance, including, but not limited to, the maintenance of all heating, air conditioning, ventilating, elevator, plumbing, electrical, telecommunication and other mechanical facilities, as Landlord may deem necessary or desirable; (f) to take all materials into and upon the Premises that may be required in connection with any such decorations, repairs, alterations, improvements, additions or maintenance; (g) to alter, renovate and decorate the Premises at any time during the Lease Term if Tenant shall have removed all or substantially all of Tenant's property from the Premises; (h) to show the Premises to prospective tenants within the last nine (9) months of the Lease Term; and (i) to show the Premises to prospective purchasers or lenders of the Project. Landlord agrees that while exercising such right of entry or making such repairs, replacements or improvements, Landlord shall perform its work diligently and shall use reasonable efforts to avoid (i) materially interfering with Tenant's business or disrupting same (but in no event shall Landlord be required to incur overtime charges) and (ii) materially diminishing the amount of such space in the Premises.

Supplementing the above, (i) Landlord agrees that, except in cases of emergency and when required or permitted by law, any entry upon the Demised Premises shall be made at reasonable times, and only after reasonable advance notice and Tenant shall be permitted to have a representative of Tenant accompany Landlord while Landlord exercises its right of entry (provided that it shall be the sole responsibility of Tenant to make such representative available); (ii) if Tenant, its agent, representative or employee shall not be personally present or shall not open and permit an entry into the Demised Premises at any time when such entry shall be necessary or permissible, Landlord shall use a master key or forcibly enter the Demised Premises, without liability; and (iii) lessors under any superior lease and the holders of any mortgage shall have the right to enter the Demised Premises from time to time through their respective employees, agents, representatives and architects to inspect the Premises or to cure any default of Landlord or Tenant relating thereto. Tenant shall not be entitled to any abatement or reduction of Rent by reason of this Section 13, nor shall such be deemed to be an actual or constructive eviction.

Notwithstanding anything to the contrary contained in this Section 13, Landlord and its agents shall have the right to permit access to the Demised Premises, whether or not Tenant shall be present, to any receiver, trustee, assignee for the benefit of creditors, sheriff, marshal or court officer entitled to, or reasonably purporting to be entitled to, such access for the purpose of taking possession of, or removing, any property of Tenant or any other occupant of the Demised Premises, or for any other lawful purpose, or by any representative of the fire, police, building, sanitation or other department of the City, State or Federal Governments. Nothing contained in this Section or any action taken by Landlord pursuant to this Section, shall be deemed to constitute recognition by Landlord that any person other than Tenant has any right or interest in this Lease or the Demised Premises.

14. Condemnation. If the Premises, or any part thereof, or if the Building or any portion of the Building, leaving the remainder of the Building unsuitable for use as an office building comparable to its use on the Commencement Date of this Lease, shall be taken or condemned in whole or in part for public purposes, or sold in lieu of condemnation, then the Lease Term shall, at the sole option of Landlord, forthwith cease and terminate. Landlord shall provide Tenant with notice of the commencement of any eminent domain proceedings covering the Premises within a reasonable time after Landlord receives actual knowledge of the same. All compensation awarded for any taking (or sale proceeds in lieu thereof) shall be the property of Landlord, and Tenant shall have no claim thereto, the same being hereby expressly waived by Tenant.

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Notwithstanding anything contained in this Lease to the contrary, Tenant shall be entitled to claim, prove, receive and retain in condemnation proceedings or other proceedings in the event of a condemnation or conveyance in lieu of condemnation, damages for relocation costs, improvements, fixtures and other equipment installed by Tenant, together with any award for loss of business or leasehold interest paid for by Tenant.

15. Casualty.

A. In the event the Premises or the Building are materially or totally damaged or are rendered materially or wholly untenantable by fire or other casualty or accident, Landlord may, as provided for hereinafter, give Tenant written notice of Landlord's election to terminate the Lease, and thereupon the term of the Lease shall expire by lapse of time upon the tenth (10th) day after such notice is given, and Tenant shall vacate the Premises and surrender the same to Landlord.

Landlord shall, within the later of (a) ninety (90) days from the fire or casualty or (b) thirty (30) business days after Landlord receives written notice from its insurance carrier regarding the extent of insurance proceeds Landlord will receive to restore the Building and/or the Premises, give Tenant written notice ("Casualty Notice") of its intention to either (i) restore or rebuild the Premises in character, layout and area substantially equal to the Premises damaged or destroyed immediately prior to such damage or destruction (except Landlord shall not be required to rebuild, repair or replace any part of the furniture, equipment, trade fixtures and other improvements [including Tenant Improvements, if any] which may have been placed by Tenant [or by Landlord on behalf of Tenant] in the Premises) within two hundred ten (210) days from the date of such fire or other casualty (but such two hundred ten [210] day period shall be subject to reasonable extensions and delays resulting from acts of God, fire, strikes, lockouts, labor trouble, inability to procure materials by reason of governmental restrictions, riots, insurrection, war or other causes beyond the reasonable control of Landlord) or (ii) terminate this Lease, as hereinbefore mentioned. In the event Landlord elects to restore or rebuild the Premises, Base Rent and all other obligations of Tenant shall abate as of the date of such fire or other casualty (as long as there is not an Event of Default under this Lease and such damage or casualty was not caused by Tenant) until the Premises shall have been restored or rebuilt by Landlord as required hereunder and possession thereof shall have been delivered to Tenant.

If Landlord fails to give the Casualty Notice within the period required under this Section or, if Landlord fails to repair the damage (if the Casualty Notice notes Landlord's intention to do so) from the casualty within the period set forth in the Casualty Notice (subject to force majeure), then Tenant shall have the right (provided there is not an Event of Default under this Lease and Tenant cannot conduct its business operations within the Premises) to elect to immediately cancel this Lease by giving written notice to Landlord, provided such notice states that "Landlord failed to cancel this Lease within the required time period of Section 15 of the Lease" and that "Landlord's failure to void Tenant's notice of termination of the Lease within thirty (30) business days of Landlord's receipt of this correspondence shall be deemed Landlord's acceptance of Tenant's termination of the Lease". A copy of such notice must be simultaneously sent to Landlord's counsel (or such other parties as Landlord may from time to time designate) in accordance with the notice provisions of this Lease in order for such request to be deemed effective. In the case Tenant gives a termination notice because Landlord failed to repair the casualty within the applicable time period, Landlord can only void Tenant's termination notice by delivery of the Premises in the condition required under this Section within thirty (30) business days of Landlord's receipt of the termination notice.

Notwithstanding anything to the contrary contained in this Section, Tenant shall have the option to cancel the Lease, in the event such casualty was not caused by Tenant and (i) the casualty occurs during the last year of the Lease Term, (ii) the casualty occurs at any time and, in both Landlord's and Tenant's reasonable opinion, the restoration will take over two hundred seventy (270) days from said occurrence or (iii) the Casualty Notice informs Tenant that Landlord intends to restore (and not terminate), but the restoration will

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take over two hundred seventy (270) days to restore from the date of the casualty or damage.

B. In the event the Premises are partially [e.g., less than ten percent (10%) of the Premises] damaged or are rendered partially [e.g., less than ten percent (10%) of the Premises] untenantable by fire or other casualty, Landlord shall within one hundred eighty (180) days from the fire or casualty repair the area of the Premises damaged in a manner substantially equal to the Premises damaged or destroyed immediately prior to such damage or destruction [except Landlord shall not be required to rebuild, repair or replace any part of the furniture, equipment, trade fixtures and other improvements (including Tenant Improvements, if any) which may have been placed by Tenant (or Landlord on behalf of Tenant) in the Premises]. Such one hundred eighty (180) day period shall be subject to reasonable extensions and delays resulting from acts of God, fire, strikes, lockouts, labor trouble, inability to procure materials by reason of

governmental restrictions, riots, insurrection, war or other causes beyond the reasonable control of Landlord. If Landlord does not repair the damage from the casualty within the aforesaid period required hereunder, then Tenant shall have the right (provided there is not an Event of Default under this Lease and Tenant cannot conduct its business operations within the Premises) to elect to cancel the Lease by giving written notice to Landlord, provided such notice states that "Landlord failed to cancel this Lease within the required time period of Section 15 of the Lease and that Landlord's subsequent failure to void Tenant's notice of termination of the Lease within thirty (30) business days of Landlord's receipt of this correspondence shall be deemed Landlord's acceptance of Tenant's termination of the Lease". Accordingly, Landlord can only void Tenant's termination notice by delivery of the Premises in the condition required under this Section within thirty (30) business days of Landlord's receipt of the termination notice. A copy of such notice must be simultaneously sent to Landlord's counsel (or such other parties as Landlord may from time to time designate) in accordance with the notice provisions of the Lease in order for such request to be deemed effective.

C. Notwithstanding anything to the contrary contained in this Section, if any mortgagee under a deed to secure debt, security agreement or mortgage requires the insurance proceeds from a casualty (whether a casualty causes total or partial damage) be applied against the mortgage debt, Landlord shall have no obligation to rebuild and restore (in the case of a casualty causing total or partial damage) and the Lease shall terminate upon notice to Tenant; provided, however, that Landlord shall notify Tenant, within thirty (30) days after any such mortgagee gives a notice to Landlord of such election to apply such proceeds against the mortgage debt, of the fact that such mortgagee has done so. Except as hereinafter provided, any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or to the Premises shall be for the sole benefit of the party carrying such insurance and under its sole control. Tenant hereby waives the provisions of any applicable law and agrees that the provisions of this Section shall control in lieu thereof.

D. In the event Landlord elects to restore or rebuild as provided for in Subsection A of this Section or restores or rebuilds pursuant to Section B of this Section, it is agreed that this Lease shall continue in full force and effect and Tenant shall promptly repair, restore, or replace Tenant's Improvements, trade fixtures, furniture, equipment, signs, and contents in the Premises in a manner and to a condition substantially equal to that existing prior to their damage or destruction, and the proceeds of all insurance carried by Tenant on said property shall be held in trust by Landlord for the purposes of such repair, restoration, or replacement. It is also agreed that during any period of restoration, Tenant will be responsible for the security of its property (including, without limitation, all goods, inventory, equipment) and will be responsible at its sole cost and expense to remove same from the damaged Premises (as directed by Landlord) pending restoration, if necessary; it being understood and agreed that Landlord will have no responsibility or liability with respect thereto if the same remain in any portion of the damaged Premises.

16. Holding Over.

(a) Tenant hereby indemnifies and agrees to defend and hold Landlord harmless from and against any loss, cost, liability, claim, damage, fine, penalty and expense (including reasonable attorneys' fees and disbursements) resulting from delay by Tenant in surrendering the Demised Premises upon the termination of this Lease, including any claims made by any succeeding tenant or prospective tenant or successor landlord founded upon such delay.

(b) If Tenant holds over its possession after the Expiration Date or earlier termination of the Lease Term or following any extended term of this Lease, such holding over shall not be deemed to extend the term of this Lease or renew this Lease. Under no circumstances (i) will such holdover constitute a month-to-month tenancy, (ii) shall this Section 16 imply any right of Tenant to remain in the Premises after the expiration or earlier termination of this Lease, (iii) will Landlord be prohibited from exercising any rights permitted by law against a holdover tenant; or (iv) will any monies paid by Tenant or accepted by Landlord (e.g., Rent, holdover rent or otherwise) after the expiration or earlier termination of this Lease be deemed to reinstate any form of tenancy between Tenant and Landlord. In connection with such holdover, Tenant shall pay the following charges for the use and occupancy of the Premises for each calendar month or part thereof (even if such part shall be a small fraction of a calendar month), which total sum Tenant agrees to pay to Landlord promptly upon demand, in full, without set-off or deduction: (i) 1/12 of the highest annual Base Rent set forth in Section 1.8 of this Lease, times three (3); plus (ii) those other items of recurring Additional Rent that would have been payable monthly pursuant to this Lease, had this Lease not expired or terminated. The aforesaid provisions of this Section 16 shall survive the expiration or sooner termination of this Lease.

17. Taxes on Tenant's Property. Tenant shall be liable for all taxes levied or assessed against personal property, furniture or fixtures placed by Tenant in the Premises (herein called "Tenant's Property"). If any such taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of personal property, furniture or fixtures placed by Tenant in the Premises, and Landlord elects to pay the taxes based on such increase, Tenant shall pay to Landlord upon demand that part of such taxes for which Tenant is primarily liable hereunder.

18. Events of Default. The following shall be events of default by Tenant ("Event of Default") under this Lease:

18.1 Tenant shall fail to pay when due any Rent or other sums payable by Tenant hereunder. Notwithstanding the foregoing, with regard to this Section 18.1, Landlord shall provide Tenant with written notice of such default and Tenant shall have ten (10) days after receipt of such notice of default to cure such default, provided, however, Landlord shall only be obligated to provide notice of a default under Article 18.1 one (1) time in any calendar year.

18.2 Tenant shall fail to comply with or observe any other provision of this Lease (however, it shall only be an Event of Default after Tenant has received twenty (20) days written notice to cure said default [unless said default is not reasonably capable of cure within said period, Tenant must undertake with all diligence, all necessary steps to cure same within said twenty (20) days and thereafter continue to diligently pursue said cure to completion] and the aforesaid default has not been cured within the applicable cure period). For purposes of this Section 18.2, such notice to cure shall be sent by certified mail, return receipt requested, to the address set forth in Section 1.3, and such cure period shall be deemed to commence from the date such notice to cure is mailed.

18.3 Tenant or any guarantor of Tenant's obligations hereunder shall make an assignment for the benefit of creditors.

18.4 Any voluntary or involuntary petition shall be filed by or against Tenant or any guarantor of Tenant's obligations hereunder under any section or chapter of the Federal Bankruptcy Act, as amended from time to time, or under any similar law or statute of the United States or any State thereof; or Tenant or any guarantor of Tenant's obligations hereunder shall be adjudged bankrupt or insolvent in proceedings filed thereunder. Notwithstanding the foregoing, the filing of an involuntary petition in bankruptcy shall not constitute an Event of Default, so long as the Tenant has moved within thirty (30) days after such filing to dismiss such involuntary petition, and further provided that such application is thereafter granted by the United States bankruptcy court.

18.5 A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations hereunder (however, if same is involuntary, it shall not constitute an Event of Default if such trustee or receiver is vacated or discharged within thirty (30) days after such appointment).

18.6 Tenant shall desert, abandon or vacate the Premises.

18.7 Any writ of execution, attachment, or garnishment shall be levied against any interest of Tenant in this Lease, the Premises, or any property located in the Premises [however, if same is involuntary, it shall not constitute an Event of Default if it is discharged within thirty (30) days after such levy].

18.8 Tenant takes or fails to take any other action hereunder constituting an Event of Default.

19. Remedies. If there is an Event of Default by Tenant under this Lease, then without any notice or demand to Tenant whatsoever (other than that already given to Tenant under Section 18 herein above, where applicable), Landlord shall have the right (but not any duty) to exercise, on a cumulative basis (but without duplication of any costs or damages), any or all of the following remedies:

19.1 Landlord may continue this Lease in full force and effect and proceed to collect all Rent when due (through a non-payment summary proceeding or other appropriate non-payment legal action).

19.2 Without prejudice to any other remedy which Landlord may have, Landlord may continue this Lease in full force and effect and may, through an eviction proceeding or otherwise, expel or remove Tenant and any others who may be occupying or within the Premises, to remove any and all property therefrom. In connection therewith, Landlord shall have the right to relet all or any portion of the Premises after securing legal possession of the Premises for Tenant's account. Landlord shall not be required to accept any proposed new tenant offered by Tenant. Tenant shall be responsible to pay to Landlord on demand, as Additional Rent, all actual costs Landlord incurs in securing possession of the Premises and reletting any portion of the Premises, including, without limitation, brokers' commissions, expenses of repairs and remodeling, reasonable attorneys' fees, and all other actual costs. Reletting may be for a period shorter or longer than the remaining term of this Lease. During the term of any reletting, Tenant shall be responsible to pay to Landlord the Rent due under this Lease on the dates due, less any net rents Landlord receives pursuant to any reletting (i.e., actual rents received less any and all actual costs Landlord incurs in securing possession of the Premises and reletting any portion of the Premises).

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19.3 Landlord may, at any time following such Event of Default, give to Tenant a ten (10) days' notice of termination of this Lease and, in the event such notice is given, this Lease and the Lease Term shall come to an end and expire upon the expiration of said ten (10) days with the same effect as if the date of expiration of said ten (10) days were the Expiration Date of this Lease. Landlord may thereafter repossess the Premises and dispossess Tenant either by summary proceeding or by any other applicable action or proceeding. Any notice given by Owner to Tenant under this Section 19.3 shall be deemed a "ten day notice to quit" under the provisions of Section 713 of the Real Property Actions and Proceedings Law. From and after any such termination, Landlord shall have the right to recover from Tenant all costs, expenses, losses and damages caused by, resulting from or incurred in connection with said Event of Default and/or termination including, but not limited to: (i) an amount equal to all unpaid Rent that had accrued up to the time of termination of this Lease and any subsequent holdover rent that may be due and owing; (ii) an amount equal to (a) the present value of all Base Rent and Additional Rent (assuming that the Additional Rent payable hereunder for the future will be the same as for the most recent Lease Year) which would have accrued under this Lease had this Lease not been terminated, for the period of time between the date of calculation of the amounts due under subparagraph (i) above and the date the Lease Term would have expired if this Lease had not been so terminated; (iii) the unamortized cost of any tenant allowance or improvements provided by Landlord, as may be provided for herein, if any; (iv) the value of any free rent granted to Tenant hereunder and (v) an amount equal to any and all damages, consequential and/or incidental, as well as compensatory, sustained by Landlord and reasonably necessary to compensate Landlord for all economic losses proximately caused by Tenant's Event of Default.

19.4 Intentionally Deleted.

19.5 Landlord may cure any Event of Default at Tenant's cost. If Landlord at any time, by reason of Tenant's Event of Default, pays any sum to cure any default, the sum so paid by Landlord shall be immediately due from Tenant to Landlord on demand, and shall bear interest at the Default Rate from the date paid by Landlord until Landlord shall have been reimbursed by Tenant. Said sum, together with interest thereon, shall be Additional Rent.

19.6 Landlord may apply all or part of the Security Deposit, as provided in Section 3.4.

19.7 Landlord may exercise any or all other rights or remedies available at law or equity, including, without limitation, the right to obtain restraining orders, injunctions and decrees of specific performance.

19.8 Landlord may obtain an injunction by any court of competent jurisdiction restraining any threatened breach or any continuing breach of any of Tenant's covenants hereunder.

Any right granted in this Section 19 to Landlord in the event of an Event of Default by Tenant hereunder shall apply to any extension or renewal of this Lease. No act or thing done by Landlord or Landlord's employees or agents during the Lease Term shall be deemed an acceptance of a surrender of the Premises. No waiver by Landlord of any default of Tenant hereunder shall be implied from any inaction by Landlord on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and then only for the time and to the extent therein stated. The receipt by Landlord of Rent with knowledge of the breach of any covenant of Tenant contained in this Lease shall not be deemed a waiver of such breach. If on the Commencement Date or thereafter during the Lease Term, Tenant shall be in default in the payment of Rent to Landlord pursuant to the terms of any other lease(s) with Landlord or with Landlord's predecessor in interest, Landlord may, at Landlord's option and without notice to Tenant, add the amount of such arrearages to any monthly installment of Base Rent or Additional Rent payable hereunder and the same shall be payable to Landlord as Additional

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20. Attorneys' Fees. Tenant hereby agrees to pay, as Additional Rent, all reasonable attorneys fees and disbursements (and all other court costs or expenses of legal proceedings) which Landlord may incur or pay out by reason of, or in connection with: (A) any action or proceeding by Landlord against Tenant (including, but not limited to, any arbitration proceeding or summary proceeding) in which Landlord prevails; (B) any default by Tenant in the observance or performance of any obligation under this Lease for which Landlord incurs attorney fees and/or disbursements in order to enforce this Lease (i.e., default letter), whether or not Landlord commences any action or proceeding against Tenant; (C) any action or proceeding brought by Tenant against Landlord (or any officer, partner, or employee of Landlord) in which Landlord prevails; and (D) any other appearance by Landlord (or any officer's partner or employee of Landlord) as a witness or otherwise in any action or proceeding whatsoever involving or affecting Landlord, Tenant or this Lease. Tenant's obligations under this Section 20 shall survive the expiration of the Lease Term hereof or any other termination of this Lease. This Section 20 is intended to supplement (and not to limit) other provisions of this Lease pertaining to indemnities and/or attorney's fees.

21. Intentionally Deleted.

22. Liens. Tenant will not permit any lien to be placed upon the Premises or the Project, or any portion thereof or any improvements thereon during the Lease Term caused by or resulting from any repair work, maintenance work or alterations performed, materials furnished or obligation incurred by or at the request of Tenant or claimed to have been performed or furnished for on behalf of Tenant. All persons contracting with Tenant for the construction and installation of improvements to or alteration or repair of the Premises and all materialmen, contractors, mechanics and laborers shall be charged with notice that they must look to Tenant's interest in the Premises only to secure payment of any bill for work done or materials furnished during the Lease Term. In the case of the filing of any such mechanics' or other lien or any notice of intention to file a lien against the Project or any part thereof, Tenant will promptly pay or otherwise discharge the same. If default in payment or discharge thereof shall continue for twenty (20) days after notice thereto from Landlord to Tenant, such shall be an Event of Default and, in addition to any other rights Landlord may have under this Lease, Landlord shall have the right, at Landlord's option, of paying the same without inquiry as to the validity thereof, and any amounts so paid, including expenses and interest at the Default Rate, shall be Additional Rent hereunder due from Tenant to Landlord and shall be repaid to Landlord immediately on demand. Landlord shall also have the option of applying and using Tenant's Security Deposit to pay such lien, in which case Tenant shall be obligated to restore such Security Deposit in accordance with Section 3.4 herein.

23. Waiver of Subrogation. In the event the Premises or its contents are damaged or destroyed by fire or other insured casualty, (i) Landlord, to the extent of the coverage of Landlord's policies of fire insurance, hereby waives its rights, if any, against Tenant with respect to such damage or destruction, even if said fire or other casualty shall have been caused, in whole or in part, by the negligence of Tenant, and (ii) Tenant, to the extent of the coverage of Tenant's policies of fire insurance with extended coverage, including coverage for business interruption/lost profits, hereby waives its rights, if any, against Landlord and all additional insureds under such policy(ies) with respect to such damage, or destruction, even if said fire or other casualty shall have been caused, in whole or in part, by the negligence of Landlord; provided, however, such waivers of subrogation shall only be effective with respect to loss or damage occurring during such time as Landlord's or Tenant's policies of fire insurance (as the case may be) shall contain a clause or endorsement providing in substance that the aforesaid waiver of subrogation shall not prejudice the type and amount of coverage under such policies or the right of Landlord or Tenant (as the case may be) to recover thereunder. If, at any time, Landlord's or Tenant's insurance carrier refuses to write insurance which contains a consent to the foregoing waiver of subrogation (or an effectively similar provision), the provisions of this Section shall be null and void as to any casualty to which the waiver of subrogation does not apply.

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24. Tenant's Insurance.

(I) all-risk property insurance, insuring all improvements and alterations in the Premises, whether now existing or hereinafter installed by or on behalf of Tenant and any and all furniture, fixtures, equipment, supplies, inventory, contents and other property owned, leased, held or possessed by Tenant and contained therein. Such insurance shall be in an amount equal to the full replacement cost of such improvements and property, as such may increase from time to time, without deduction for depreciation, providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended peril (all risk), boiler and machinery, flood, glass breakage and sprinkler leakage, and naming Landlord as loss payee as its interest may appear;

(II) worker's compensation required by applicable law and employer's liability insurance with limits not less than One Million Dollars (\$1,000,000.00) for each accident, One Million Dollars (\$1,000,000.00) disease policy limit, and One Million Dollars (\$1,000,000.00) disease each employee; and

(III) commercial general liability insurance on an occurrence basis for injury to or death of a person or persons and for damage to property occasioned by or arising out of any work being done on the Premises, or arising out of the condition, use or occupancy of the Premises, or other portions of the Building, and covering Tenant's indemnification obligations imposed by Section 10 of this Lease, the limits of such policy or policies to be in amounts not less than \$1,000,000.00 in primary liability coverage and \$2,000,000.00 in the general aggregate (exclusively dedicated to Tenant's operations in the Building; a "per project" aggregate), along with an excess/umbrella liability policy or policies in amounts not less than \$4,000,000.00. All such liability policies (a) shall be written on a form affording coverage which is at least as broad as the current ISO occurrence based form and shall not contain any non-ISO endorsements which serve to restrict coverage; (b) shall contain endorsements which (i) delete any employee exclusion on personal injury coverage, (ii) include employees as additional insureds and (iii) contain cross-liability, waiver of subrogation and such other provisions as Landlord may reasonably require and (c) shall (i) be written to apply to all bodily injury, property damage, personal injury and other covered loss, however occasioned and (ii) shall specifically not contain an electromagnetic field (EMF) exclusion.

B. Landlord retains the right, in its reasonable discretion, to increase the amount and/or types of insurance required to be maintained under this Section 24 by Tenant (to the amounts and/or types of coverage then required by Landlord of tenants entering into new leases in the Building or as being carried by similarly situated tenants in comparable buildings) on not less than thirty (30) days' notice to Tenant and not more frequently than annually based on such factors as inflation, Tenant's insurance claims history, the advice of Landlord's insurance advisors and any other relevant factors (but in no event [i] prior to the second [2nd] anniversary of the Lease Term and [ii] by more than \$3,000,000.00 in the aggregate over the remainder of the Lease Term). No insurance policy or policies required to be carried by Tenant will be subject to more than a \$20,000.00 deductible limit without Landlord's prior written consent. Tenant is solely responsible for any such deductibles and self-insurance retention and shall not seek recovery from Landlord. Notwithstanding anything to the contrary contained in this Section, Tenant acknowledges that, in the event that Tenant's liability insurance policy or policies, at any time, are or become subject to a deductible, then Tenant agrees that (i) Tenant will be self-insuring up to the amount of the deductible, and that Tenant shall keep in place a corporate procedure to allocate funds necessary to self-insure and (ii) Tenant shall indemnify Landlord and save harmless Landlord for any claim relating to said deductible and any and self-insurance retention.

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C. All said insurance policies shall be carried with companies having a general policyholder's and financial rating of not less than AM Best A-, X and S&P A- and licensed to do business in the state in which the Premises are located reasonably satisfactory to Landlord. Tenant shall deliver duly executed certificates of such insurance to Landlord prior to the Commencement Date and shall provide renewal certificates at least thirty (30) days prior to the expiration of each respective policy term.

D. Initially, all commercial general liabilities policies (both primary and excess/umbrella policies) shall each name Wells 60 Broad Street, LLC, CRG Management, LLC, Piedmont Realty Trust, Inc., Piedmont Operating Partnership L.P. and their associated, affiliated and subsidiary companies, owners, directors, officers, managing agents and fiduciaries as additional insureds and provide that it is primary to, and not contributing with, any policy carried by Landlord, Landlord's property manager, or other designated person covering the same loss in connection with this Lease. All coverage for additional insureds shall specifically include coverage for completed operations. Tenant shall be responsible for notifying its insurance carriers in the event of a loss or a potential loss involving any of the additional insureds. In addition, at any time during the Lease Term, Landlord may require Tenant to amend or add any other person or entity, designated by Landlord, as an additional insured on such policy (ies).

E. If Tenant fails to take out or keep in force any insurance required to be carried by Tenant, or to provide evidence of the same, Landlord shall have the right, but shall not be obligated, to obtain such insurance at the sole cost and expense of Tenant, and Tenant shall reimburse Landlord for the cost thereof upon demand. If, due to the failure of Tenant to comply with the foregoing provisions, Landlord is adjudged a co-insurer by its insurance carrier, then any loss or damage Landlord shall sustain by reason thereof shall be borne by Tenant and shall be immediately paid by Tenant upon receipt of a bill therefor from Landlord and evidence of such loss. Landlord makes no representation that the minimum limits of liability specified to be carried by Tenant hereunder are adequate to protect Tenant.

F. In the event of a breach of any insurance procurement obligation under this Lease by Tenant or any of its contractors/subcontractors, Tenant shall pay for the Landlord's (or any other entity that is/should have been included as an additional insured) reasonable attorneys fees, expenses and liability as a result of any claim or lawsuit. Landlord's commercial general liability and excess liability insurers are deemed to be third-party beneficiaries of the insurance procurement obligations herein and in the event of a breach hereof, such insurers will have the same rights as Landlord against Tenant and its contractors as provided in this Lease.

25. Brokerage. CRG REAL ESTATE SERVICES, LLC HAS REPRESENTED LANDLORD IN THIS TRANSACTION. JONATHAN BARRY ASSOCIATES, INC. HAS REPRESENTED TENANT IN THIS TRANSACTION CRG REAL ESTATE SERVICES, LLC AND JONATHAN BARRY ASSOCIATES, INC. SHALL HEREINAFTER COLLECTIVELY BE REFERRED TO AS THE "BROKER". BROKER SHALL BE PAID A COMMISSION BY LANDLORD IN CONNECTION WITH THIS LEASE, UNDER A SEPARATE AGREEMENT. Tenant warrants that it has had no dealings with any broker or agent in connection with the negotiation or execution of this Lease other than with the brokers specifically identified above, and Tenant agrees to indemnify Landlord against all costs, expenses, attorneys' fees or other liability for commissions or other compensation or charges claimed by any broker or agent claiming the same by, through or under Tenant, other than with the brokers specifically identified above.

26. Building Name. Without the prior written consent of Landlord, Tenant shall not use the words "60 Broad Street" or the name of the Building for any purposes other than as the address of the business to be conducted by Tenant in the Premises. Landlord reserves the right at any time to change the name, number or designation by which the Project is commonly known.

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27. Estoppel Certificates. Tenant shall furnish from time to time when requested by Landlord or the holder of any deed to secure debt or mortgage covering the Building, the Premises, or any interest of Landlord therein, a certificate signed by Tenant confirming and containing such certifications and representations deemed appropriate by Landlord or the holder of any deed to secure debt or mortgage covering the Building, the Premises or any interest of Landlord therein, and Tenant shall, within ten (10) business days following receipt of said certificate from Landlord, return a fully executed copy of said certificate to Landlord. Tenant may, however, deliver the certificate to Landlord with changes to the representations contained therein in the event Tenant reasonably believes said changes are true and correct. If Tenant fails to return a fully executed copy of such certificate to Landlord within said period, (i) Tenant shall have approved and confirmed all of the provisions contained in such certificate and (ii) such failure shall be an Event of Default; Landlord reserving the right to exercise any further rights or remedies available to it under the Lease, at law or equity by reason of Tenant's Event of Default hereunder.

28. Notices. Each provision of this Lease, or of any applicable laws, ordinances, regulations, and other requirements with reference to the sending, mailing or delivery of any notice, or with reference to the making of any payment by Tenant to Landlord, shall be deemed to be complied with when and if the following steps are taken:

28.1 Except as may be set forth in Section 3.2 herein, all Rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at Landlord's Address set forth in Section 1.5, to the attention of *Accounts Receivable Clerk*, or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith.

28.2 Except as may be otherwise expressly provided in this Lease, notices by either party to the other shall be in writing and shall be sent by registered or certified mail, by overnight mail by a reputable overnight delivery service or by hand delivery, addressed to Landlord or Tenant at their respective addresses herein above set forth in Section 1.3 and Section 1.5 or to such other address as either party shall hereafter designate by notice as aforesaid. All notices properly addressed shall be deemed served upon receipt by the addressee or, in the case of notice by certified or registered mail, three (3) days after the date of mailing, except that notice of change of address shall not be deemed served until received by the addressee. A copy of any and all notices to Landlord shall also be sent to: Eric J. Sarner, Legal Counsel, 60 Broad Street, Concourse Level, New York, New York 10004. A copy of any and all notices to Tenant shall also be sent to: Michael C. Lesser, Esq., Shutterstock Images LLC, 60 Broad Street, 30th Floor, New York, New York 10004.

29. Force Majeure. When a period of time is prescribed for any action to be taken by Landlord, Landlord shall not be liable or responsible for and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of nature, shortages of labor or materials, war, laws, regulations or restrictions or any other causes of any kind whatsoever which are beyond the control of Landlord.

30. Severability. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Lease Term, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

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31. Amendments; Binding Effect. This Lease may not be altered, changed or amended, except by instrument in writing signed by both parties hereto. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver be in writing signed by Landlord and addressed to Tenant, nor shall any custom or practice which may evolve between the parties in the administration of the terms hereof be construed to waive or lessen the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. The terms and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided.

32. Quiet Enjoyment. Landlord covenants and agrees with Tenant that upon Tenant's paying Rent and observing and performing all of the terms, covenants and conditions on Tenant's part to be performed, Tenant may peacefully and quietly enjoy the Premises hereby demised for the Lease Term, subject to the terms and conditions of this Lease.

33. Gender. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

34. Joint and Several Liability. If there is more than one party to this Lease as Tenant, the obligations hereunder imposed upon Tenant shall be joint and several. If there is a guarantor of Tenant's obligations hereunder, the obligations hereunder imposed upon Tenant shall be joint and several obligations of Tenant and such guarantor and Landlord need not first proceed against Tenant before proceeding against such guarantor nor shall any such guarantor be released from its guaranty for any reason whatsoever, including without limitation, in case of any amendments hereto, waivers hereof or failure to give such guarantor any notices hereunder.

35. Captions. The captions contained in this Lease are for convenience of reference only and in no way limit or enlarge the terms and conditions of this Lease.

36. Exhibits and Attachments. All exhibits, attachments, riders and addenda referred to in this Lease are incorporated into this Lease and made a part hereof for all intents and purposes. The special provisions attached hereto as Exhibit D, if any, shall control if in conflict with any of the terms of this Lease.

37. No Joint Venture. Landlord and Tenant are not and shall not be deemed to be partners or joint venturers with each other.

38. Time of the Essence. Time is of the essence with regard to each provision of this Lease.

39. Evidence of Authority. Tenant and Landlord each covenants, warrants and represents that (i) each individual executing, attesting and/or delivering this Lease on behalf of Tenant and Landlord is authorized to do so on behalf of Tenant and Landlord; (ii) this Lease is binding upon Tenant and Landlord; and (iii) Tenant and Landlord are duly organized and legally existing in the state of its organization and is qualified to do business in the state in which the Premises are located.

40. Governing Law. This Lease shall be construed and interpreted in accordance with and governed by the laws of the state in which the Premises are located.

41. Landlord's Managing Agent. Tenant agrees that all of the representations, warranties, waivers and indemnities made in this Lease by Tenant for the benefit of Landlord shall also be deemed to inure and to be for the benefit of CRG Management, LLC, and their officers, directors, employees and independent contractors.

42. Exculpation. The term Landlord as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Landlord's interest in the Project. Tenant acknowledges and agrees, for itself and its successors and assigns, that no trustee, director, officer, employee or agent of Landlord shall be personally liable for any of the terms, covenants or obligations of Landlord hereunder, and Tenant shall look solely to Landlord's interest in the Project for the collection of any judgment (or enforcement or any other judicial process) requiring the payment of money by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed or performed by Landlord and no other property or assets of Landlord shall be subject to levy, execution or other enforcement procedures for the satisfaction of any obligation due Tenant or its successors or assigns.

43. Covenants are Independent. Each covenant of Landlord and Tenant under this Lease is independent of each other covenant under this Lease, and no default by either party in performance of any covenant shall excuse the other party from the performance of any other covenant.

44. Building Directory. At the written request of Tenant, Landlord shall list on the Building's directory the name of Tenant, any trade name under which Tenant has the right to operate, any other entity permitted to occupy any portion of the Premises pursuant to the terms of this Lease, and the officers and employees of each of the foregoing entities, provided the number of names so listed does not exceed the Tenant's Percentage of the capacity of such directory. If requested by Tenant, Landlord may (but shall not be required to) list the name of Tenant's subsidiaries and affiliates; however, the listing of any name other than that of Tenant shall neither grant such party or entity any right to interest in this Lease or in the Premises nor constitute Landlord's consent to any assignment or sublease to, or occupancy of the Premises by such party or entity. Except for the name of Tenant, any such listing may be terminated by Landlord, at any time, without notice.

45. Hazardous Materials.

45.1 Tenant shall not cause or permit any Hazardous Material (as defined in Subsection 45.2 below) to be brought, kept or used in or about the Project by Tenant, its agents, employees, contractors or invitees. Tenant hereby indemnifies Landlord from and against any breach by Tenant of the obligations stated in the preceding sentence, and agrees to defend and hold Landlord harmless from and against any and all loss, damage, cost and/or expenses (including, without limitation, diminution in value of the Project or any portion thereof, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Building, damages arising from any adverse impact on marketing of space in the Building, and sums paid in settlement of claims, attorneys' fees, consultant fees, and expert fees) which arise during or after the Lease Term as a result of such breach. This indemnification of Landlord by Tenant also includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Building which results from such a breach. Without limiting the foregoing, if the presence of any Hazardous Material caused or permitted by Tenant results in any contamination of the Project, Tenant shall promptly take all actions at its sole expense as are necessary to return the Project to the conditions existing prior to the introduction of

such Hazardous Material; provided that the Landlord's approval of such actions, and the contractors to be used by Tenant in connection therewith, shall first be obtained.

45.2 As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material (including asbestos or asbestos containing material), or waste which is or becomes regulated by any local governmental authority or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" or similar term under the law of the jurisdiction where the property is located, or (ii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. ' 1317), (iii) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 47 U.S.S. ' 6901 et seq. (42 U.S.C. ' 6903), or (iv) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ' 9600 et seq. (42 U.S.C. ' 9600).

45.3 As used herein, the term "Laws" means any applicable federal, state, or local laws, ordinances, or regulation relating to any Hazardous Material affecting the Project, including, without limitation, the laws, ordinances, and regulations referred to in Subsection 45.2 above.

45.4 Landlord and its employees, representatives and agents shall have access to the Premises during reasonable hours and upon reasonable notice to Tenant in order to conduct periodic environmental inspections and tests of Hazardous Material contamination of the Building.

45.5 Intentionally Deleted.

45.6 Tenant shall, at Tenant's sole cost and expense, inspect the Premises for asbestos and asbestos containing material prior to possession of the Premises and comply with all rules, regulations and requirements of all governmental and quasi-governmental authorities having jurisdiction of the Building and/or the Land, with respect to asbestos or asbestos containing materials. Notwithstanding anything to the contrary contained in the foregoing, if there are presently any asbestos in the Premises which is in violation of any applicable law, rule or regulation or if any Landlord's Work, if any, causes or results in asbestos to become in violation of any applicable law, Landlord shall remove, at its sole cost and expense, said asbestos or take such steps to make the asbestos comply with all applicable laws, rules or regulations and other requirements relating to any asbestos, which are imposed by any governmental authority ("Requirements") as of the Commencement Date. Tenant, however, shall be responsible, at Tenant's own cost and expense, to comply with Requirements relating to Hazardous Materials that are hereafter imposed by any governmental authority, insofar as the same affect the Demised Premises. Tenant further agrees, however, that in the event any Tenant's Work performed at anytime causes or results in said asbestos to be in violation of an applicable law, rule or regulation, Tenant shall immediately remove, at its sole cost and expense, said asbestos or take such steps to make the asbestos comply with the applicable Requirement.

45.7 Tenant agrees to comply with the terms and conditions of Exhibit "H" attached to this Lease and such signed documents shall be incorporated by reference into this Lease.

46. Effect of Conveyance. If Landlord shall sell or lease the Building, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed (without further agreement between the parties hereto or between the parties to such conveyance) that the purchaser or lessee of the Building has assumed and agreed to carry out all the obligations of Landlord hereunder, provided such purchaser or lessee of the Building assumes, in writing, the obligations of Landlord hereunder.

47. Guaranty. The obligations of the Tenant under this Lease have been guaranteed by Jon Oringer in accordance with a separate agreement of guaranty, a copy of which is annexed hereto as Exhibit "F". The terms and provisions of this Section and Exhibit F are expressly made to survive the end of the term

of this Lease.

48. Waiver of Right of Redemption. Tenant, for itself and all persons claiming through or under Tenant, hereby expressly waives any and all rights which are or may be conferred upon Tenant by any present or future law to redeem the Premises, or to any new trial in any action or ejection under any provision of law, after re-entry thereupon by Landlord, or after any warrant to dispossess or judgment in ejection. If Landlord shall acquire possession of the Premises by summary proceedings or in any other lawful manner without judicial proceedings, it shall be deemed a "re-entry" as that term is used herein.

49. Waiver of Trial by Jury / Counterclaims. TO THE EXTENT PERMITTED BY LAW, LANDLORD AND TENANT MUTUALLY HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BETWEEN THE PARTIES HERETO OR THEIR SUCCESSORS OR ASSIGNS ON ANY MATTERS ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, AND/OR TENANT'S USE OR OCCUPANCY OF THE PREMISES. TENANT FURTHER AGREES THAT IT SHALL NOT INTERPOSE ANY COUNTERCLAIM OR COUNTERCLAIMS (EXCEPT FOR COMPULSORY OR STATUTORY COUNTERCLAIMS) IN A SUMMARY PROCEEDING OR IN ANY ACTION BASED UPON NON-PAYMENT OF RENT OR ANY OTHER REASON WHATSOEVER. THIS WAIVER IS MADE FREELY AND VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER EACH OF THE PARTIES HERETO HAS HAD THE BENEFIT OF ADVICE FROM LEGAL COUNSEL.

50. Interpretation. Should any provisions of this Lease require judicial interpretation, it is agreed that the court interpreting or construing the same shall not apply a presumption that the terms of any such provision shall be more strictly construed against one party or the other by reason of the rule of construction that a document is to be construed most strictly against the party who itself or through its agent prepared the same, it being agreed that the agents of all parties hereto have participated in the preparation of this Lease.

51. No Recordation of Lease. Without the prior written consent of Landlord, neither this Lease nor any memorandum hereof shall be recorded or placed on public record.

52. Electricity.

A. (1) Subject to the provisions of this Section 52, Landlord shall provide redistributed electricity to the Premises hereunder on a submetered basis, and Tenant agrees to pay Landlord for same as Additional Rent at charges for such computed in the manner hereinafter described, to wit, a sum

equal to Landlord's cost for such electricity ("Landlord's Cost") plus eight percent (8%) thereof. Landlord's Cost for such redistributed electricity shall be equal to (a) Landlord's cost for the relevant billing period as hereinafter defined ("Landlord's Cost Rate") multiplied by Tenant's electricity consumption for the relevant billing period as hereinafter defined ("Tenant's Electrical Consumption") measured and calculated as hereinafter provided (but never less than Landlord's actual cost for the electricity so redistributed), and (b) any and all taxes paid by Landlord (except and to the extent that an exemption from sales tax applies). In addition, Tenant shall reimburse Landlord hereunder for the reasonable, actual out-of-pocket costs incurred by Landlord for measuring, calculating and reporting Tenant's electricity charges, including the fees of an electrical consultant ("Consultant Costs").

(2) Landlord's Cost Rate shall mean the average cost for the Building electrical usage calculated on a kilowatt hour (i.e., "KWH") and kilowatts (i.e., "KW") basis, and shall be determined as follows: (i) the total dollar amount billed to Landlord by the public utility and/or service providers for the building's consumption for the relevant billing period for energy (i.e., "KWH") shall be divided by the total kilowatt hours consumed by the building for that billing period, carried to six decimal places, and (ii) the total

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dollar amount billed to Landlord by the public utility and/or service providers for the relevant billing period for demand (i.e., "KW") for the building's demand for such billing period, shall be divided by the total demand (kilowatts) of the building for such billing period, carried to six decimal places. Tenant's Electrical Consumption shall mean the total KWH and KW used by Tenant at the Premises measured by meters or submeters installed to measure same. Where more than one meter measures the service of Tenant in the Building, the service rendered through each meter may be computed and billed conjunctively in accordance with the rates herein specified.

(3) Tenant's electric consumption shall be measured using the existing submeters of the Premises. Tenant shall install Landlord approved submeters (as may be specified by Landlord), at its cost and expense, if necessary to measure Tenant's Electrical Consumption. Tenant shall be responsible, at its sole cost and expense, for the maintenance, repair and replacement of all submeters. Bills therefor shall be rendered at such times as Landlord may elect, and the amount shall be deemed to be, and shall be paid as Additional Rent as provided for in this Lease. If any tax is imposed upon Landlord's receipt from the resale of electrical energy to Tenant by any Federal, State or Municipal authority, Tenant covenants and agrees that, where permitted by law, Tenant's share of such taxes based upon its usage and demand shall be passed on to, and shall be included in the bill of, and shall be paid by Tenant to Landlord (provided, however, that sales tax shall not be so included and paid by Tenant in the event that Tenant files with Landlord an appropriate certificate of exemption from sales tax). Any dispute regarding any Additional Rent payable under the provisions of this Section 52 shall be resolved by arbitration in accordance with the provisions of the paragraph below.

(4) In the event that all or part of the meters, or system by which Landlord measures Tenant's consumption of electricity within any portion of the Premises hereunder (the "Submetering System"), shall fail to be operational, installed or otherwise malfunction, (a) Landlord, through an independent, electrical consultant selected by Landlord, at Landlord's and Tenant's cost and expense, shall estimate the readings that would have been yielded by said Submetering System as if the malfunction had not occurred, on the basis of Tenant's prior usage and demand and the lighting and equipment installed within such space and (b) Tenant shall utilize such estimated readings and the bill rendered based thereon shall be binding and conclusive on Tenant unless, within ninety (90) days after receipt of such a bill, Tenant challenges, in writing to Landlord, the accuracy or method of computation thereof. If, within ninety (90) days of Landlord's receipt of such a challenge, the parties are unable to agree on the amount of the contested bill, the controlling determination of same shall be made by an independent electrical consultant agreed upon by the parties using arbitration. The determination of such electrical consultant shall be final and binding on both Landlord and Tenant. Pending such controlling determination, Tenant shall timely pay Additional Rent to Landlord in accordance with the contested bill. Tenant shall be entitled to a prompt refund from Landlord, or shall make prompt additional payment to Landlord, in the event that the electrical consultant determines that the amount of a contested bill should have been other than as reflected thereon.

(5) If all or part of the submetering Additional Rent payable in accordance with this Article becomes uncollectible or reduced or refunded by virtue of any law, order or regulations, the parties agree that, at Landlord's option, in lieu of submetering Additional Rent, and in consideration of Tenant's use of the Building's electrical distribution system and receipt of redistributed electricity and payment by Landlord of consultant's fees and other redistribution costs, the Base Rent rate(s) to be paid under this Lease shall be increased by an "alternative charge" which shall be a sum equal to Landlord's cost thereof, plus five percent (5%) percent thereof [or the maximum such percentage then permitted by law but not more than five percent (5%) percent].

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B. Tenant's use of electric energy in the Demised Premises shall not at any time exceed that portion of the capacity allocable to Tenant of (i) the existing feeders to the Building or the electricity available to Tenant through then existing risers or wiring installations to the Premises or (ii) any of the electrical conductors, machinery and equipment in or otherwise serving the Demised Premises (in any event, giving due consideration to the needs of existing and potential tenants using the same risers, wiring installations or other equipment, as well as to Landlord's electrical needs in connection with the operation of the Building and the provision of emergency services), and in any event no greater than six (6) watts per rentable square foot. In order to ensure that such capacity is not exceeded, Tenant agrees not to connect any additional electrical equipment, fixtures, machinery or appliances of any type to the Building electric distribution system, other than lamps, small photocopiers, telecopiers, personal computers, printers, typewriters and other small office machines which consume comparable amounts of electricity, without Landlord's prior written consent. Any additional risers, feeders, or other equipment proper or necessary to supply Tenant's electrical requirements, upon written request of Tenant, will be installed by Landlord at the sole cost and expense of Tenant, if, in Landlord's sole judgment, the same will not interfere with Landlord's present or anticipated future electrical needs with respect to the Building and/or existing or future tenants of the Building or cause permanent damage or injury to the Building or entail excessive or unreasonable alterations or interfere with or disturb other tenants. As a condition to granting such consent, Landlord may require that Tenant agree to an increase in the Base Rent by an amount which will reflect the additional service to be furnished by Landlord, that is, the potential electric energy (connected load) to be made available to Tenant based upon the estimated additional capacity of such additional risers or other equipment. Such increase shall be determined on the basis of the value of furnishing and installing any additional equipment or electrical facilities.

C. Landlord reserves the right to discontinue furnishing electric energy to Tenant at any time upon not less than sixty (60) days' written notice to Tenant, and from and after the effective date of such termination, Landlord shall no longer be obligated to furnish Tenant with electric energy. If Landlord exercises such right of termination, this Lease shall remain unaffected thereby and shall continue in full force and effect, and thereafter Tenant shall diligently arrange to obtain electric service directly from the public utility company servicing the Building, and may utilize the then existing electric feeders, risers and wiring serving the Demised Premises to the extent that they are available and safely capable of being used for such purpose and only to the extent of Tenant's then authorized connected load. Landlord shall not be obligated to pay any part of the cost required for Tenant's direct electric service. Notwithstanding anything to the contrary set forth above, in no event shall Landlord discontinue furnishing electric energy to Tenant until such time as Tenant has obtained electric service directly from the public utility company servicing the Building, unless Tenant has not acted diligently in its efforts to obtain such service.

D. Landlord may, at Landlord's option, furnish, install and replace all light bulbs, light fixtures, tubes, lamps, starters, and ballasts required in the Premises and Tenant shall pay to Landlord (or its designated contractor) upon demand the then established actual out-of-pocket charges therefor as Additional Rent.

E. If any tax is imposed upon Landlord with respect to electrical energy furnished as a service to Tenant by any Federal, State, or Municipal Authority, Tenant covenants and agrees that where permitted by law or applicable regulations, Tenant's pro-rata share of such taxes shall be reimbursed by Tenant to Landlord.

F. Landlord shall not in any way be liable or responsible to Tenant for any loss, damage or expense which Tenant may sustain or incur if: (i) the supply of electricity to the Demised Premises is interrupted; (ii) the quantity or character of electricity is changed or is no longer available or suitable for Tenant's requirements; or (iii) Tenant objects to, is inconvenienced by or otherwise affected by any requirement of the public utility company serving the Building. Tenant will comply with the general rules, regulations,

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terms, conditions and requirements of the public utility supplying electricity to the Building that may now or hereafter be applicable thereto. Tenant shall enter into such modifications of this Lease as Landlord may from time to time request in connection with any requirement of any public utility or any requirement of law pertaining to electrical consumption or service, or charges therefor.

G. Tenant has reviewed the electrical capacity available to the Demised Premises and represents to and for the benefit of Landlord that it is satisfied therewith.

53. Bankruptcy. Tenant covenants and agrees that without limiting any of the provisions of this Lease, if, pursuant to the United States Bankruptcy Code of 1978, as the same be amended, Tenant (or Tenant's trustee or other representative) elects to assume or is permitted to assign this Lease, then adequate assurance of future performance by the Tenant or assignee, as required under such Code shall mean at least the deposit of additional cash lease security with Landlord in an amount equal to the sum of six (6) month's Base Rent then reserved hereunder (in addition to the Security Deposit then being held by Landlord), and all Additional Rent payable under this Lease for the calendar year preceding the year in which such assignment or assumption is intended to become effective, which deposit shall be held and applied by Landlord pursuant to the provisions of Section 3.4 hereof. If Tenant receives or is to receive any valuable consideration, after deducting therefrom (a) the brokerage commissions, if any, and other expenses reasonably incurred by Tenant for any such assignment and (b) any portion of such consideration reasonably designated by the assignee as paid for the purchase of Tenant's property in the Premises, such consideration shall be paid over to Landlord directly by such assignee. The term "adequate assurance" as used in this Section 53 also shall mean that any such assignee of this Lease shall have a net worth, exclusive of good will, equal to at least fifteen (15) times the aggregate of one year's Base Rent then reserved hereunder plus all Additional Rent for the preceding calendar year as aforesaid.

54. Tenant's Work.

A. Prior to Tenant's commencing any work in the Demised Premises or the Building (including, without limitation, any structural work or work relating to the Building's systems in the Demised Premises), Tenant shall submit to Landlord for Landlord's written approval, which approval shall not be unreasonably withheld or delayed, all architectural and engineering drawings, plans and specifications (herein collectively referred to as "Tenant's Plan") for or in connection with the improvements, installations, additions, alterations and decorations to be made by Tenant, including, without limitation, proposed locations Tenant's heavy equipment, (herein collectively referred to as "Tenant's Work"). Tenant shall also submit to Landlord for its written approval a list of contractors, subcontractors, architects, engineers and consultants (collectively, "Tenant's Contractors") and copies of contracts and subcontracts for Tenant's Work ("Tenant's Contracts"). Landlord's approval of Tenant Contracts shall not be unreasonably withheld or delayed; provided, however, that Landlord may withhold its approval if labor is employed that is not harmonious or compatible with the labor employed by Landlord at the Building. Tenant's Plan shall be fully detailed, shall show complete dimensions, shall not require any changes in the structure of the Building and shall not be in violation of any laws, orders, rules or regulations of any governmental department or bureau having jurisdiction of the Project. However, notwithstanding anything to the contrary contained in this Lease, Landlord's approval of Tenant's Plan shall not be construed to mean that Tenant's Plan is, or that the alterations/improvements will be, in compliance with applicable law; that being Tenant's sole responsibility. Tenant shall also be responsible to insure that all Tenant's Contracts incorporate the necessary provisions of this Lease so that Tenant and Tenant's Contractors are in full compliance with the terms herein. In no event shall Landlord's review and approval of Tenant's Contracts be deemed an approval of the terms contained (or not contained) therein. Any review or approval by Landlord of Tenant's Plan is solely for Landlord's benefit and without any representation or warranty whatsoever to Tenant with respect to the adequacy, correctness or efficiency thereof or otherwise.

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B. Within thirty (30) days after submission to Landlord of Tenant's Plan and Tenant's Contracts, Landlord shall either approve same or shall set forth in writing the particulars in which Landlord does not approve same, in which latter case Tenant shall, within twenty (20) days after Landlord's notification, return to Landlord appropriate corrections thereto. Such corrections shall, once again, be subject to Landlord's review and approval. Tenant shall pay to Landlord or Landlord's architect any reasonable charges or expenses Landlord may incur in reviewing Tenant's Plan and Tenant's Contracts and/or insuring compliance therewith.

C. Tenant further agrees that Tenant shall not make any changes (except to a de minimis extent) in Tenant's Plan or Tenant's Contracts subsequent to approval by Landlord unless Landlord consents to such changes, in writing; Landlord having the right to refuse to consent to any such changes if in the reasonable judgment of Landlord or Landlord's architect, such changes materially deviate from Tenant's Plan theretofore approved by Landlord or otherwise violate the terms of this Lease. Tenant shall pay to Landlord all actual costs and expenses Landlord may incur or sustain as a result of such changes. Any charges payable under this Section C or the preceding Section B shall be paid by Tenant from time to time upon demand as Additional Rent, whether or not the Commencement Date has occurred.

D. Following compliance by Tenant with its obligations under the foregoing Sections and approval of Tenant's Plan and Tenant's Contracts by Landlord, Tenant shall commence Tenant's Work and it shall proceed diligently with same, in order to complete same with reasonable promptness using new first class materials and in a good and workmanlike manner.

E. Tenant agrees that in the performance of Tenant's Work (a) neither Tenant, Tenant's Contractors nor its respective agents or employees shall interfere with the work being done by Landlord and its contractors, agents and employees, (b) that Tenant shall comply with any reasonable work schedule, rules and regulations proposed by Landlord, its agents, contractors or employees provided that the same are applied uniformly to all tenants of the Building, (c)

that the labor employed by Tenant and Tenant's Contractors shall be harmonious and compatible with the labor employed by Landlord in the Building, it being agreed that if in Landlord's judgment the labor is incompatible Tenant shall forthwith upon Landlord's demand withdraw such labor from the Building, (d) that prior to commencing Tenant's Work, Tenant and Tenant's Contractors shall procure and deliver to Landlord worker's compensation, commercial general liability and such other insurance policies, in such amounts as shall be reasonably acceptable to Landlord in connection with Tenant's Work, and shall cause Landlord, its managing agent, and any holder of a mortgage and superior interest to be named as an insured thereunder, (e) that prior to commencing Tenant's Work, Tenant shall obtain the necessary consents, permits, authorizations and licenses from municipal or any other government authorities having jurisdiction of the Building or Premises necessary for Tenant's operations, improvements and alterations and that no work shall be started or equipment installed unless and until all necessary consents, permits, authorizations and licenses shall have been obtained by Tenant and/or Tenant's Contractors, (f) that Tenant shall defend and hold Landlord harmless from and against any and all claims arising from or in connection with any act or omission of Tenant, Tenant's Contractors or their respective agents, contractors and employees, in connection with Tenant's Work (g) that Tenant's Work shall be performed in accordance with the approved Tenant's Plan and in compliance with the laws, orders, rules and regulations of any governmental department or bureau having jurisdiction of the Demised Premises, (h) that Tenant and/or Tenant's Contractors obtain all required signoffs from the applicable governmental department or bureau and do all further work necessary to obtain same (e.g., air balancing of HVAC system) [the failure to obtain such signoffs under this section (h) being an Event of Default hereunder]; and (i) that Tenant promptly shall pay for Tenant's Work in full, to the extent payable under any contract with respect to Tenant's Work between Tenant and any third party hereunder (including Tenant's Contracts), and to the extent that such payment is not the responsibility of Landlord, Tenant shall provide for the removal and/or bonding of any lien to attach to the Demised Premises or the Land and/or Building (such requirement being subject to all the terms set forth in Section 22 herein).

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F. In the event that the "hard" cost of any of Tenant's Contracts shall exceed \$25,000.00, in addition to complying with all other provisions hereof, Tenant shall ensure that such Tenant Contract is in assignable form, providing for the completion of all work, labor and materials necessary to complete Tenant's Work in accordance with Tenant's Plan; to be effective upon any termination of this Lease or upon Landlord's re-entry upon the Premises following an Event of Default prior to the complete performance of such Tenant's Contract.

G. Tenant shall (or require Tenant's Contractors to) submit a set of "as built" construction documents as digital files to Landlord within one hundred twenty (120) days of completion of Tenant's Work. Failure to deliver such documents shall be an Event of Default following twenty (20) days written notice to Tenant and failure to submit such "as built" within said period.

H. Tenant's Work will not be considered complete until all required governmental signoffs and permits (including, without limitation, Department of Buildings, fire alarm, plumbing, mechanical, electrical, sprinkler, signage, equipment use permits and public assembly permits) are filed with the Department of Buildings and all controlled inspection of air conditioning systems are made. Notwithstanding anything to the contrary contained in this Lease, in the event Landlord is holding funds pursuant to a Tenant Improvement Allowance or Tenant Extra Work (as may be set forth in Exhibit E hereinafter), Landlord shall retain ten percent (10%) of any final distribution to Tenant (or Tenant's Contractor, as the case may be) until all required signoffs and permits, as set forth herein, are obtained.

I. Any Tenant Improvements being performed by Tenant pursuant to Exhibit "E" of this Lease shall be Tenant's Work and shall be subject to all of the terms and conditions of this Lease.

J. Tenant, at its sole cost and expense, immediately after the Commencement Date of this Lease, shall obtain all necessary permits and approvals to commence to do, and thereafter diligently and in good faith, complete, all work and make all installations and repairs, if any, necessary to enable it to conduct its business in the Demised Premises. The foregoing work shall be deemed "Tenant's Work" as defined in Section 54 of this Lease and, as such, shall be performed in accordance with the terms and conditions of this Lease with respect to Tenant's Work.

55. Cleaning / Security Service.

A. Tenant agrees that it will independently contract (with a contractor reasonably approved by Landlord) for the removal of all rubbish, refuse, garbage and waste from the Demised Premises other than ordinary quantities thereof. The removal of such rubbish, refuse, garbage and waste shall be subject to such rules and regulations as, in the reasonable judgment of Landlord, are necessary for the proper operation of the Building, provided the same are uniform, and nondiscriminatory. Tenant further agrees not to permit the accumulation (unless in concealed metal or plastic containers) of any rubbish or garbage in, on or about any part of the Demised Premises and not to permit any garbage or rubbish to be stored, collected or disposed of from the Demised Premises other than during the hours from 7:00 p.m. to 6:00 a.m. All of Tenant's garbage and refuse shall be stored in a designated storage area within the Demised Premises. Tenant shall not encumber or obstruct, or permit to be encumbered or obstructed, the street and sidewalk adjacent to or abutting upon the Demised Premises. Tenant also agrees that no supplies or deliveries, nor any of Tenant's refuse or rubbish, shall be kept or permitted to be kept in any area outside of the Demised Premises.

B. Tenant covenants that Tenant shall, at its own cost and expense, keep the Demised Premises free and clear of any odor, rats, mice, insects and other vermin. If, in Landlord's reasonable judgment, Tenant shall fail to prevent such odors and/or infestation, Landlord may, but shall not be obligated

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to, employ an exterminator or other service, and the cost and expense incurred by Landlord for such exterminator or other service shall be repaid to Landlord by Tenant, on demand, and such amounts so repayable shall be considered as Additional Rent.

C. Landlord shall have a security guard and/or attendant in the Building at all times. At any time, Tenant shall comply with and Landlord shall have the right to implement (or change, as applicable) any procedure and/or to take such reasonable measures as Landlord deems advisable for the security of the Building and its occupants.

56. Incentive Programs.

A. Tenant and Landlord hereby acknowledge that each party has entered into this Lease with the expectation that either party may qualify for (or has qualified) and receive (or has received), as applicable and as the case may be, certain benefits in connection with the following programs: (collectively, the "Incentive Programs"): (i) Title 4 of Article 4 of the New York Real Property Tax Law (herein called the "Commercial Revitalization Program"); (ii) the Industrial and Commercial Incentive Program (the "ICIP"); (iii) the Lower Manhattan Energy Program ("LMEP"); and (iv) any other similar or dissimilar programs for which either Landlord or Tenant or all or any portion of the Project may qualify (or has qualified) at any time or times during the Lease Term. Landlord and Tenant hereby agree to provide each other with such cooperation as may reasonably be requested by the other party (collectively, "Incentive

Cooperation") to assist said party in obtaining and/or retaining any incentives, abatements, exemptions, subsidies, energy discounts, refunds or payments that may be available to said party in connection with the Incentive Programs with respect to the Project or any portion thereof, including, without limitation, the Demised Premises (collectively, "Incentives" or "Incentive"). Landlord shall pass on any benefit that Landlord receives under the LMEP to the Tenant.

B. In the event that work is performed or is to be performed which makes the Commercial Revitalization Plan applicable to this Lease, Tenant agrees that, during the term of this Lease, it shall comply with all of the terms and conditions of the Commercial Revitalization Plan. With respect to the Commercial Revitalization Program, it is understood and agreed that: (i) unless otherwise defined in this Lease, all terms used herein shall have the meanings ascribed to them in Commercial Revitalization Program and (ii) Tenant's percentage of occupancy shall mean and be the same as Tenant's Percentage.

C. In the event that work is performed or is to be performed which makes the Commercial Revitalization Plan applicable to this Lease, Tenant agrees to execute, deliver and file, an application (the "Abatement Application") for a certificate of abatement in accordance with the Commercial Revitalization Plan in a timely manner. Tenant further agrees to promptly provide all other information required by the Department of Finance pursuant to the Commercial Revitalization. For so long as Landlord continues to be eligible (or would continue to be eligible but for Tenant's failure to comply with its obligations under this Lease including, without limitation, this Section 56) for the benefits under the Commercial Revitalization Program with respect to the Premises, Tenant agrees to timely execute, deliver and file annually a certificate of continuing eligibility in accordance with Commercial Revitalization Program.

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D. Tenant hereby acknowledges and agrees that (i) notwithstanding anything to the contrary contained in this Lease, the Base Rent reserved under this Lease represents a rental that has been reduced by the Anticipated CRP Benefits (hereinafter defined), which reduced Base Rent Landlord is willing to accept in consideration of Tenant's agreement to comply with all of its obligations under this Lease (including, without limitation, the terms of this Article 56); (ii) notwithstanding anything to the contrary contained herein or in the Commercial Revitalization Plan, all or any portion of the Anticipated CRP Benefits actually received by Landlord in connection with this Lease shall be retained by Landlord (regardless of whether or not such Anticipated CRP Benefits are larger or smaller than anticipated); and (iii) for purposes of the Commercial Revitalization Plan, Landlord shall be deemed to have reduced the Base Rent payable by Tenant under this Lease by the full amount of any Anticipated CRP Benefits actually received by Landlord in connection with this Lease. For purposes hereof, the term "Anticipated CRP Benefits" shall mean the full aggregate amount of the real estate tax abatement that would be available under the Commercial Revitalization Plan.

E. Landlord hereby informs Tenant that:

(i) An application for abatement of real property taxes pursuant to Title 4 of Article 4 of the New York Real Property Tax Law will be made for the Demised Premises;

(ii) A qualification for the Commercial Revitalization Plan is that at least \$5, \$10 or \$35 per square foot must be spent on improvements to the Premises and the common areas, the amount being dependant on the length of this Lease and the number of Tenant employees; and

(iii) All abatements granted will be revoked if, during the benefit period, real estate taxes, water or sewer charges or other lienable charges are unpaid for more than one year, unless such delinquent amounts are paid, as provided for in the relevant law.

F. Tenant shall promptly pay to Landlord, as Additional Rent hereunder, the amount of all or any portion of the Anticipated CRP Benefits that either (x) are not received by Landlord or (y) are received by Landlord and are thereafter revoked, in either case, as the result of the act or omission of Tenant or its agents or employees or Tenant's failure to comply with the provisions of this Lease (including, without limitation, the provisions of this Section), together with any interest and/or penalties imposed against Landlord in connection with any such revoked Anticipated CRP Benefits.

G. Landlord hereby agrees to (i) cooperate with Tenant's efforts to file the Abatement Application and continuing eligibility certificates and (ii) execute and file any necessary applications to enable Landlord to qualify for any other Incentive Program applicable to the Premises. Notwithstanding anything to the contrary contained herein: (i) Tenant acknowledges that Landlord has made no warranty or representation as to the extent, if any, that Landlord or Tenant will qualify or benefit from any of the programs set forth in this Section and (ii) in the event that either: (x) Landlord or Tenant fails to qualify (in whole or in part) for any of such programs, (y) Landlord or Tenant is subsequently disqualified in whole or in part for any of such programs and/or (z) the amount of benefits available to Landlord or Tenant under such programs becomes reduced, unfounded or otherwise unavailable to Landlord or Tenant, then, in either case, Landlord shall have no liability to Tenant and Tenant's obligations under this Lease shall not be reduced, excused or

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otherwise affected.

H. Notwithstanding anything herein to the contrary, it is understood and agreed that, although the Taxes for the Building may be subject to certain refunds, credits, abatements, deferrals or exemptions under any applicable Incentive Programs, Tenant shall pay throughout the Lease Term Tenant's Percentage of any increase in Taxes over the Base Taxes, in accordance with Article 4 of this Lease, without taking any such refunds, credits, abatements, deferrals or exemptions for either the Base Tax Year or subsequent years into consideration (except with respect to a tax appeal by Landlord, as may be provided for in this Lease).

I. (i) Notwithstanding the foregoing, Landlord and Tenant acknowledge that neither Landlord nor Tenant is required to spend money for improvements to the Premises pursuant to the terms of this Lease. Notwithstanding anything to the contrary contained in this Article 56, provided that Tenant is not then in monetary default or material nonmonetary default of any terms, conditions or covenants of this Lease and that Tenant is not in stipulation of settlement with Landlord, if, to the extent that Landlord actually receives a real estate tax abatement in connection with the Tenant's application to and compliance with the Commercial Revitalization Plan with respect to the Premises, Tenant shall receive a credit against the Rent equal to the actual amount of the real estate tax abatement that Landlord receives under the Commercial Revitalization Plan in connection with the Tenant's application to the Commercial Revitalization Plan with respect to the Premises (less an amount equal to any fees and expenses incurred by Landlord in connection the same, if any) [hereinafter referred to as the "CRP Credit"]. In the event that, at any time after Tenant is given such CRP Credit, all or any portion of the Anticipated CRP Benefits that are received by Landlord are thereafter revoked as the result of the act or omission of Tenant or its agents or employees or Tenant's failure to comply with the provisions of this Lease (including, without limitation, the provisions of this Article 56), Tenant shall pay to Landlord, within twenty (20) days after demand, the amount of said CRP Credit together with any interest and/or penalties imposed against Landlord in connection with any such revoked Anticipated CRP Benefits.

(ii) Provided that Tenant is not then in monetary default or material nonmonetary default of any terms, conditions or covenants of this Lease and that Tenant is not in stipulation of settlement with Landlord, then, in the event that Landlord does not receive the Anticipated CRP Benefits (and, consequently, Tenant does not receive the CRP Credit from Landlord pursuant to Section 56(l)(i) above) because sufficient money has not been spent on improvements to the Premises and the common areas to qualify under the Commercial Revitalization Plan, then, at the end each Lease Year, Landlord shall provide Tenant with a credit against the Rent equal to the amount of the CRP Credit that would have otherwise been received in connection with the Premises for the applicable Lease Year, if any, ("Alternative CRP Credit"). Notwithstanding anything to the contrary contained in this Lease, in the event that Tenant receives the Alternative CRP Credit as provided for in this paragraph, then (a) all or any portion of the real estate tax abatement subsequently received under the Commercial Revitalization Plan actually received by Landlord in connection with this Lease shall be retained by Landlord (regardless of whether or not such actual abatement is larger or smaller than anticipated); and (b) for purposes of the Commercial Revitalization Plan, Landlord shall be deemed to have reduced the Base Rent payable by Tenant under this Lease by the full amount of any benefits actually received by Landlord in connection with

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this Lease.

57. Letter of Credit. Amending and/or supplementing the provisions of Articles 1.9, 3.1, 3.4 and 19.6 of the Lease:

A. Upon the execution of this Lease, Tenant shall either (i) deposit in cash a security deposit of \$365,117.28, or (ii) deliver to Landlord and shall, except as otherwise provided herein, maintain in effect at all times during the Lease Term hereof, an irrevocable, self-renewing letter of credit, in substantially the form that is attached to this Lease as Exhibit "J" in the amount of \$365,117.28 (such letter of credit is hereinafter referred to as a "Letter of Credit"). The Letter of Credit shall be issued by a banking corporation reasonably satisfactory to Landlord and having its principal place of business or its duly licensed branch or agency in the City and State of New York. The Letter of Credit shall: (i) be clean, irrevocable, unconditional and non-negotiable, except by Landlord; (ii) be for an initial term of not less than one (1) year; (iii) provide that Landlord shall be entitled to draw upon the Letter of Credit upon presentation of a sight draft; and (iv) provide that the Letter of Credit shall be deemed automatically renewed, without amendment, for consecutive periods of one (1) year, each year during the term of this Lease, and for a thirty (30) day period thereafter unless the bank shall notify Landlord and Landlord's attorneys by registered mail, return receipt requested, not less than thirty (30) days preceding the then expiration date of the Letter of Credit, that the bank elects not to renew such Letter of Credit, in which event Landlord shall have the right, by sight draft presented to the bank, to receive the monies represented by the then existing Letter of Credit and to hold and apply such proceeds in accordance with the provisions hereof. In the event that Landlord uses, applies or retains any portion of the proceeds of the Letter of Credit as permitted by this Lease, Tenant shall forthwith restore the amount so applied or retained in cash or by good certified check so that, at all times (except as otherwise provided for in this Lease), subject to the provisions herein set forth, the amount of the Letter of Credit or cash security, as the case may be, shall be \$365,117.28, or such other amount as provided for hereinafter.

B. In the event Tenant defaults in the respect of any of the terms, provisions, covenants and conditions of this Lease beyond applicable notice and cure periods, including but not limited to, the payment of annual Base Rent, Additional Rent and any additional charges due hereunder, Landlord may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any Annual Base Rent, Additional Rent or other charges or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's Event of Default in respect of any of the terms, provisions, covenants, and conditions of this Lease, including, but not limited to, any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. To insure that Landlord may utilize the security represented by the Letter of Credit in the manner, for the purposes and to the extent provided herein, each Letter of Credit shall provide that the full amount thereof may be drawn down by Landlord upon the presentation to the issuing bank of Landlord's draft drawn on the issuing bank accompanied by the signed memorandum of Landlord indicating in substance the basis for Landlord's charge against the Letter of Credit. A copy of such memorandum shall be simultaneously furnished to Tenant; provided, however, that such memorandum as so presented shall be absolutely binding and unconditional on said issuing bank. Landlord's right to draw down under said Letter of Credit shall, upon such presentation, also be absolute as against Tenant.

C. In the event that Tenant defaults, after notice and the opportunity to cure as provided for in the Lease, with respect of any of the terms, provisions, covenants and conditions of this Lease and Landlord utilizes all or any part of the security represented by the cash security deposit or the Letter of Credit but does not terminate this Lease as provided herein, Landlord may in addition to exercising its rights as provided herein, retain the un-applied and unused balance of the principal amount of the cash security deposit or the Letter of Credit as security for the faithful performance and observance by Tenant thereafter of the terms, provisions and conditions of this Lease and may use, apply or retain the whole or any part of said balance to the

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extent required for payment of Base Rent, Additional Rent or other Tenant charges, or any other sum as to which Tenant is in default or for any sum which Landlord may expend or be required to expend by reason of Tenant's default in respect to any of the terms, covenants, and conditions of this Lease. In the event Landlord applies or retains any portion or all of the security delivered hereunder, Tenant shall forthwith restore the amount so applied or retained so that at all times the amount deposited shall not be less than the security required by the first paragraph hereof or such adjusted amount as may be set forth hereinafter.

D. Except as otherwise provided for herein, in the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Lease, the security shall be promptly returned to Tenant after the Expiration Date and upon delivery of entire possession of the Premises to Landlord as required under this Lease. In the event of an assignment of this Lease or other transfer by Landlord, Landlord shall have the right to transfer any interest it may have in the security to the assignee and Landlord shall thereupon be released by Tenant from all liability for the return of such security, provided such assignee assumes in writing any responsibilities of Landlord with respect to such security, and Tenant agrees to look solely to the new Landlord for the return of said security; and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a new Landlord.

E. If at any time the issuer bank shall fail to honor the sight draft of Landlord (or its successor-in-interest) on demand, or the issuer fails to remain a member of the New York Clearing House Association or its assets shall become less than \$500 million, Landlord may demand of Tenant that Tenant replace such Letter of Credit with its cash equivalent or with a Letter of Credit from a commercial bank reasonably acceptable to Landlord, at Landlord's option, and Tenant shall replace same within ten (10) business days thereafter.

F. Time is of the essence with respect to all the dates and time period herein within which Tenant and any issuer of a Letter of Credit may pay and/or perform. In the event Landlord improperly draws on the Letter of Credit, then upon it being determined that such draw down was improper, Landlord shall immediately pay Tenant the amount improperly drawn.

G. Notwithstanding anything to the contrary contained in this Lease, in the event that Tenant has deposited the Security Deposit in the form of a Letter of Credit and provided that (a) this Lease is in full force and effect and Tenant shall not have been in an Event of Default of this Lease, (b) Tenant shall have made all payments of Base Rent and Additional Rent payable under this Lease in a timely manner, (c) the Letter of Credit has not already been reduced and (d) Tenant provides Landlord with a written request not more than thirty (30) business days prior to the end of the first (1st) Lease Year, Tenant may provide to Landlord (and Landlord shall promptly thereafter execute and deliver to Tenant, if necessary) such instruments and authorizations, as may be reasonably required by the issuer of the Letter of Credit to reduce the face amount thereof from \$365,117.28 to \$243,411.52 as of the beginning of the second (2nd) Lease Year of the Lease Term. For purposes of this Article 57 and Section 3.4B of this Lease, payments of Base Rent and Additional Rent shall not be deemed to have been made in a timely manner if such payments are made more than ten (10) days after such payments become due and payable more than once in any twelve (12) month period. Notwithstanding anything to the contrary contained above, the Letter of Credit shall not be reduced without the prior written consent of the Landlord pursuant to the terms and conditions of this Agreement.

58. Entire Agreement. This Lease constitutes the entire agreement between the parties and there is no other agreement between the parties relating in any manner to the Project.

-SIGNATURE PAGE FOLLOWS. THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.-

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IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

TENANT:

SHUTTERSTOCK IMAGES LLC

By: /s/ Jon Oringer

Print name: Jon Oringer
Title: Chief Executive Officer

Date Executed: 11/11/08

By the execution and delivery of this Lease, Tenant has made and shall be deemed to have made a continuous and irrevocable offer to lease the Premises for a period of fifteen (15) business days from Landlord's receipt of this Lease as executed by the Tenant, on the terms contained in this Lease, subject only to acceptance by Landlord (as evidenced by Landlord's signature hereon), which Landlord may accept in its sole and absolute discretion.

LANDLORD:

WELLS 60 BROAD STREET, LLC,
a Delaware limited liability company

By: Piedmont Operating Partnership, L.P.,
a Delaware limited partnership, its sole member

By: /s/ George Wells
George Wells
Senior Vice President

Date Executed: 11/14/08

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EXHIBIT "A"

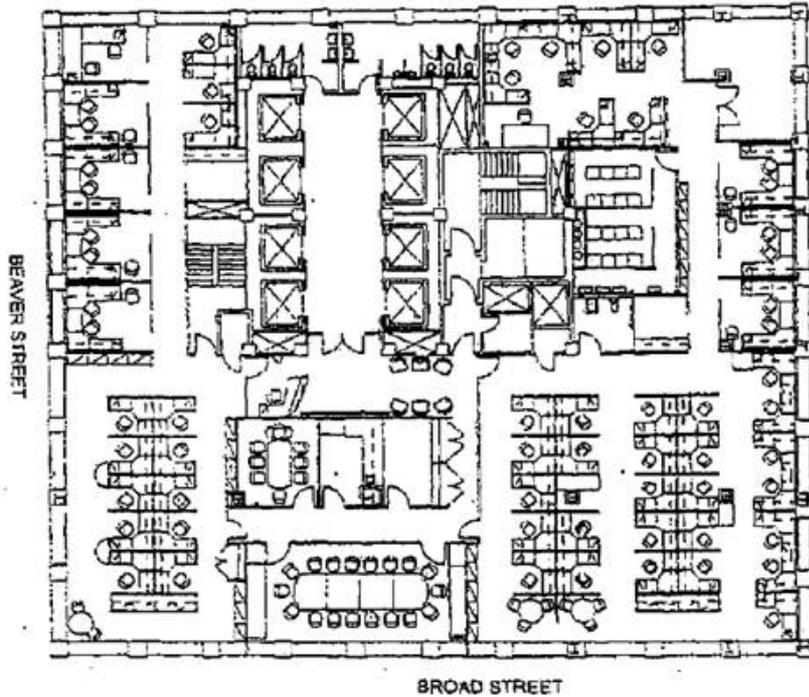
FLOOR PLAN

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EXHIBIT "A"

FLOOR PLAN



Prepared by American Quality Architects, October 2008

30th Floor

NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IS MADE AS TO THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND THE SAME IS SUBMITTED SUBJECT TO ERRORS, OMISSIONS, CHANGES OR OTHER CONDITIONS.

EXHIBIT "B"

MEMORANDUM CONFIRMING TERM

THIS MEMORANDUM ("Memorandum") is made as of November 6, 2008 between WELLS 60 BROAD STREET, LLC ("Landlord") and SHUTTERSTOCK IMAGES LLC ("Tenant"), pursuant to that certain Lease Agreement between Landlord and Tenant dated as of November 6, 2008 (the "Lease") for the Premises located at 60 Broad Street, New York, New York 10004 (the "Premises"), and more particularly described in the Lease. All capitalized terms used herein shall have the meanings ascribed to them in the Lease.

1. Landlord and Tenant hereby confirm that:
 - (a) The Commencement Date of the Lease Term is December 1, 2008;
 - (b) The Expiration Date of the Lease Term is November 30, 2013; and
 - (c) The Rent Commencement Date is as of March 1, 2009.

2. Tenant certifies that:

- (a) Tenant has fully inspected the Premises and found the same to be as required by the Lease, and all conditions under the Lease to be performed by Landlord have been satisfied. Any work, Landlord's Work and Tenant Improvements required to be performed by Landlord have been completed in accordance with the provisions of the Lease.
- (b) Tenant has accepted and is in full and complete possession of the Premises.
- (c) The Lease is in full force and effect and constitutes the entire agreement with respect to Tenant's occupancy of the Premises.
- (d) There are no defaults by Landlord under the terms of the Lease and no event has occurred which, with the giving of notice or the passage of time or both, would constitute a default by Landlord under the Lease.

3. This Memorandum shall be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first set forth above.

LANDLORD:

WELLS 60 BROAD STREET, LLC,
a Delaware limited liability company

By: Piedmont Operating Partnership, L.P.,
a Delaware limited partnership, its sole member

By: _____
Print name: George Wells
Title: Senior Vice President

TENANT:

SHUTTERSTOCK IMAGES LLC

By: _____
Print name: Jon Oringer
Title: Chief Executive Officer

EXHIBIT "C"

RULES AND REGULATIONS

The following rules and regulations shall apply, where applicable, to the Building, Land, Premises and Common Facilities (collectively, the Project). All terms not otherwise defined hereinafter shall have the meaning ascribed to them in the Lease.

1. Except as otherwise may be provided for in the Lease, no sign, door plaque, directory strip, advertisement or notice shall be displayed, painted or affixed in or on any part of the outside or inside of the Project, without the prior written consent of Landlord and then only of such color, size, character, style and material, and in such places as shall be approved and designated by Landlord. Signs on entrance doors to the Premises and directories shall be placed thereon by a contractor designated by Landlord and shall be paid for by Tenant.
2. No additional locks or bolts of any kind shall be placed on any door and no changes shall be made to the existing locks or bolts, without the prior written consent of Landlord. Tenant shall provide Landlord with duplicate set of all keys (or other methodology) for such additional door locks permitted by Landlord.
3. No blocking or obstruction any of the entries, passages, doors, elevators, elevator doors, corridors, hallways or stairways shall be permitted. Such areas shall be used strictly for ingress or egress purposes.
4. The placement or installation of solar reflective film, drapes, curtains, blinds, shades, screens, furniture, fixtures, shelving, display cases, tables, lights, signs or advertising devices in front of, or in the proximity of any interior or exterior window, glass panel or glass door that provides a view into the interior of the Building and/or Premises shall be strictly prohibited, unless same shall have first been approved in writing by Landlord.
5. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt of any bulky material, merchandise or materials that requires the use of elevators or stairways, or movement through the Building entrances or lobby, shall be restricted to such hours as Landlord shall designate. All such movement of materials shall be under the supervision of Landlord and in the manner agreed upon and prearranged between Tenant and Landlord. Tenant shall assume all risks as to the damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for Tenant from the time of entering the Project to completion of work; and Landlord shall not be liable for acts of any person engaged in, or any damage or loss to any of said property or persons resulting from, and act in connection with such service performed for Tenant.
6. Tenant shall notify the Building manager when safes or other heavy equipment are to be taken in or out of the Building, and performed under the supervision of Landlord. Landlord shall have the power to prescribe the weight and position of safes and other heavy equipment or items, which shall in all cases, to distribute weight, stand on supporting devices approved by Landlord.
7. The use of any hand trucks (except with rubber tires and side guards) in the delivery or receipt of merchandise, by either by Tenant or by jobbers or others, is prohibited.

8. All contractors and/or technicians performing work for Tenant, shall be referred to Landlord for approval before performing such work. This shall apply to all work (not just Tenant's Work), including, but not limited to, installation of telephones, telegraph equipment, electrical devices and attachments, and all installations affecting floors, walls, windows, doors, ceilings or equipment. Should Tenant require telegraphic, telephone, annunciator or other communication service, Landlord will direct the electrician where, when and how wires are to be introduced and placed and none shall be introduced or placed except as Landlord shall direct.

9. All doors leading to the Premises from any corridors, passage or hallway shall be kept closed at all times, except for normal ingress and egress purposes.
10. Before leaving the Premises unattended, all doors shall be closed and all utilities shut off.
11. Tenant shall not make or permit any improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them.
12. Tenant shall not permit any equipment or device within the Premises which will impair radio or television broadcasting or reception from or in the Project.
13. No fish, fowl, reptile, insect, dogs (except for seeing-eye dogs for an individual's use) or animal of any kind whatsoever shall be permitted into the Building, without the prior written consent of Landlord.
14. Tenant shall not bring onto the Project any inflammable, combustible or explosive fluid, chemical, material or substance or Hazardous Material, without the prior written consent of Landlord.
15. No portion of the Project shall be used for manufacturing, public sales, or for the storage of merchandise, or for the sale of merchandise, goods or property of any kind, or auction, without the prior written consent of Landlord.
16. Tenant shall keep the Premises neat and clean. Tenant shall not employ any person for the purposes of such cleaning other than the cleaning and maintenance personnel approved by Landlord.
17. In the event Tenant must dispose of crates, boxes, etc., which will not fit into office wastepaper baskets, it will be the responsibility of Tenant to request special services from Landlord, at Tenant's expense. In no event shall Tenant set such items in the public hallways or other areas of Project for disposal.
18. Tenant will be responsible for any damage to the Premises, including carpeting and flooring, as a result of rust or corrosion of file cabinets, roller chairs, metal objects, or spills of any type of liquid.
19. Canvassing, soliciting and peddling in the Building or any portion of the Project is strictly prohibited and Tenant shall cooperate to prevent the same; Tenant promptly reporting such activities to Landlord.
20. Solicitation of business and/or distribution of handbills, flyers or other advertising matter inside or outside the Project shall be prohibited.

21. Landlord will not be responsible for lost or stolen personal property, equipment, money or any article taken from the Premises or any portion of the Project, regardless of how or when such loss occurs.
22. No vending machine of any description shall be installed, maintained or operated upon the Premises, without the prior written consent of Landlord.
23. Tenant shall not be permitted to go upon the roof of the Building, without the written consent of the Landlord.
24. Tenant shall not install any antenna or aerial wires, radio or television equipment, or any other type of equipment, inside or outside of the Building, without Landlord's prior written consent, and upon such terms and conditions as may be specified by Landlord in each and every instance.
25. Tenant shall not advertise the business, profession or activities of Tenant in any manner which violates the letter or spirit of any code of ethics adopted by any recognized association or organization pertaining thereto, use the name of the Building or Project for any purpose other than that of the business address of Tenant, or use any picture or likeness of the Building or Project, or use the Building or Project name in any letterheads, envelopes, circulars, notices, advertisements, containers or wrapping material, without prior express written consent of Landlord in each and every instance.
26. Landlord reserves the right to close the Building to the public at 6:00 p.m., Monday through Friday, and at 1:00 p.m. on Saturday (or at any other time in the event of emergencies), subject however, to Tenant's rights to admittance under regulations prescribed by Landlord, and to reasonably require that persons entering the Building identify themselves and establish their right to enter or to leave the Building. Landlord shall in no case be liable for damages for the admission to or exclusion from the Building of any person whom Landlord has the right to exclude hereunder. Tenant's officers, agents, servants and employees shall be permitted to enter and leave the Building whenever appropriate arrangements have been previously made between Landlord and Tenant with respect thereto. Tenant shall be responsible for all persons for whom Tenant requests such permission, and shall be liable to Landlord for all acts of such persons. Any person whose presence in the Building, at any time, shall in the judgment of the Landlord be prejudicial to the safety, character, reputation and interest of the Project or its tenants may be denied access to the Building or may be ejected therefrom. In case of invasion, riot, public excitement or other commotion, Landlord may prevent all access to the Project during the continuance of the same, by closing the doors or otherwise, for the safety of the tenants of the Project and protection of property in the Building. Landlord may require any person leaving the Building with any package or other object from the Premises to exhibit a pass from Tenant, but the establishment and enforcement of such requirements shall not impose any responsibility on Landlord for the protection of Tenant against the removal of property from the Premises. Landlord shall in no way be liable to Tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from the Premises or the Project under the provisions hereof.
27. Smoking is prohibited in all areas of the Building.
28. Any additional services not required under the Lease to be performed by Landlord, which Tenant requests Landlord to perform and which are performed by Landlord, shall be billed to Tenant at Landlord's cost plus Landlord's markup.
29. Tenant shall not clean nor require, permit, suffer or allow any window in the Premises to be cleaned from the outside in violation of any applicable law.

30. Freight elevator use during Regular Business Hours shall be restricted to three (3) trips between applicable floors and shall only be with Landlord's prior approval. However, all move-ins and move-outs shall be performed after Regular Business Hours and weekends only, with Tenant being responsible for the Building's customary freight elevator usage fees (on a per hour basis). A four (4) hour minimum shall be assessed on weekends and holidays. Furniture placed on top on the elevator car shall be strictly prohibited.

31. Any installments of two-way communication devices (e.g., door buzzers) in public corridors shall be approved by Landlord, in writing.

EXHIBIT "D"

SPECIAL PROVISIONS

None

EXHIBIT "E"

INTENTIONALLY DELETED

EXHIBIT "F"

GUARANTY OF LEASE OBLIGATIONS

FOR VALUE RECEIVED and in consideration for the leasing of the premises located at the thirtieth (30th) floor at 60 Broad Street, New York, New York 10004 (the "Premises") by Wells 60 Broad Street, LLC ("Landlord") to Shutterstock Images LLC ("Tenant"), as said Premises are more accurately described in the lease therefor of even date herewith (the "Lease") and as an inducement to Landlord to enter into the Lease with Tenant, the undersigned (hereinafter, "Guarantor") does hereby unconditionally and irrevocably guaranty to Landlord, its successors and assigns (i) the full payment of all Base Rent and Additional Rent due under the Lease and (ii) performance of all other obligations of Tenant as provided for in the Lease on Tenant's part to be performed.

The obligations of Guarantor under this Guaranty are absolute and unconditional and is a guarantee of payment and performance, not of collection. The obligations of Guarantor hereunder shall remain in full force and effect without regard to any circumstance or condition, including, without limitation, (i) any renewal, modification or extension of the Lease; (ii) any assertion, exercise or non-exercise by Landlord of any right or remedy available to Landlord under the Lease, at law or in equity; (iii) any transfer by Landlord or Tenant in respect of the Lease or any interest in the Premises (e.g., assignment, sublease, sale); and (iv) any bankruptcy, insolvency, receivership, reorganization, dissolution, liquidation or other like proceeding involving or affecting Landlord or Tenant or their obligations or any action taken by any trustee or receiver of Landlord or Tenant or by any court in any proceeding. Neither Guarantor's obligations under this Guaranty or any remedy for enforcement thereof, shall be impaired, modified or limited in any manner whatsoever by any impairment, modification, waiver or discharge resulting from the operation of any present or future operation of any present or future provision under the National Bankruptcy Act or any other statute or decision of any court.

Guarantor hereby waives presentment and demand for payment, notice of non-payment or non-performance and any other notice or demand to which Guarantor may otherwise be entitled. Guarantor hereby covenants and agrees that Guarantor may be joined in any action against Tenant, in connection with the Lease, and that recovery may be had against Guarantor in such action without Landlord first pursuing or exhausting any other security or remedy against Tenant, its successors or assignees. Guarantor also agrees that, if permitted by law, it will be conclusively bound by a judgment in any action by Landlord against Tenant (wherever brought) as if Guarantor were a party to such action even though the Guarantor is not joined as a party in such action. Guarantor further agrees that its liability under this Guaranty shall be primary and that in any right of action which may accrue to Landlord under the Lease, Landlord may, at its option, proceed against Guarantor without having commenced any action against or having obtained any judgment against Tenant.

Guarantor hereby waives all right to trial by jury in any action or proceeding hereinafter instituted by Landlord to which the Guarantor may be a party. This Guaranty shall be governed by and construed under the laws of the State of New York. Guarantor shall pay all attorney's fees, court costs and other expenses incurred by Landlord in enforcing or attempting to enforce this Guaranty provided that Landlord prevails in any said action.

All terms contained herein that are defined in the Lease shall retain their definition as provided for in said Lease. This Guaranty shall inure to the benefit of and may be enforced by Landlord, and its successors and assigns, and will be binding upon and enforceable against Guarantor and its successors, assigns, heirs and personal representatives, as the case may be. If there is more than one Guarantor hereunder, the Guarantors' obligations hereunder shall be joint and several.

Notwithstanding the foregoing, the obligations of Guarantor may be terminated unilaterally by Guarantor at any time during the term of the Lease or thereafter; provided (a) Tenant surrenders the Premises to Landlord vacant, broom clean and in the condition as set forth in the Lease; (b) all Base Rent

and Additional Rent due and owing through and including the date of surrender is paid in full; and (c) Tenant tenders the keys to the Premises to Landlord or its authorized agent. Upon satisfaction of the foregoing conditions, the Guarantor shall be released from all obligations under this Guaranty.

IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty this 11 day of November, 2008.

PRINT NAME: Jon Oringer

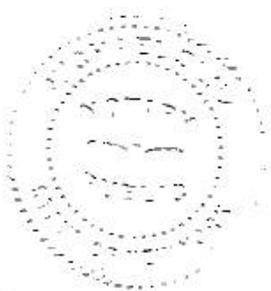
SIGNATURE: /s/ Jon Oringer

STATE OF NEW YORK)
) ss.:
COUNTY OF YORK)

On the 11th day of November, 2008, before me, the undersigned, personally appeared Jon Oringer to me personally known or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the within instrument; and thereupon acknowledged to me that he executed the same.

/s/ Michael Senz
Notary Public

MICHAEL SENZ
NOTARY PUBLIC-STATE OF NEW YORK
NO 01SE6114952
QUALIFIED IN NEW YORK COUNTY
MY COMMISSION EXPIRES AUGUST 30, 2012



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EXHIBIT "G"

CLEANING SPECIFICATIONS

GENERAL CLEANING OFFICE AREAS - NIGHTLY - MONDAY THROUGH FRIDAY (HOLIDAYS EXCLUDED)

Dust sweep composition flooring with specially treated cloths.

Carpet sweep carpeted areas four (4) nights each week, spot clean carpets once each week and vacuum once each week, moving light furniture other than desks, file cabinets, etc.

Remove waste paper and waste materials to designated area in the Premises during evening hours using special junior carriages. Waste or rubbish bag shall be supplied to us by the Landlord.

Dust and wipe clean furniture, fixtures, desk equipment, telephones and windows sills with specially treated cloth, if accessible.

Dust baseboards, chair rails, trim, louvers, pictures, charts etc. within reach.

LAVATORIES — NIGHTLY

Sweep and wash flooring with approved germicidal detergent solution.

Wash and polish mirrors, powder shelves, bright work, etc., including flushometers, piping and toilet seat hinges.

Wash both sides of toilet seats, wash basin, bowls and urinals with approved germicidal detergent solution.

Dust partitions, tile walls, dispensers and receptacles.

Remove waste paper and refuse to a designated area in the Premises, during evening hours, using special janitor carriages.

Fill toilet tissue dispensers.

Fill towel and soap dispensers in public and ADA bathrooms with supplies furnished by Landlord.

PUBLIC AREAS - PERIODIC CLEANING

Elevator, stairway, office and utility doors on each floor will be checked for general cleanliness, removing finger marks as necessary.

Remove finger marks from metal partitions and other similar surfaces as necessary.

HIGH DUSTING

Do high dusting every three (3) months which includes the following:

Dust pictures, frames, charts, graphs and similar wall hangings not reached in nightly cleaning.

Dust exterior of light fixtures.

Dust overhead pipes, sprinklers, etc.

Dust window frames.

LAVATORIES - PERIODIC CLEANING

Machine scrub flooring with approved germicidal detergent solution as necessary.

Wash partitions, tile walls and enamel surfaces with approved germicidal detergent solution once a month.

Dust exterior of lighting fixtures every three (3) months.

High dust once per month.

WINDOW CLEANING

Clean all perimeter office windows, both exterior and interior, two times a year weather permitting.

All window cleaning will be performed during the regular working hours of 7:00 a.m. to 3:30 p.m. Monday through Friday, excluding Saturdays and Sundays, and holidays.

No exterior window washing will be done on days of rain, sleet, or snow but will be performed as soon as possible thereafter.

SCHEDULE OF CLEANING

Night cleaning service shall be rendered five nights each week; Monday through Friday, except on holidays.

EXHIBIT "H"

MOISTURE AND MOLD MEMORANDUM

This Memorandum is entered into this 6th day of November, 2008 by SHUTTERSTOCK IMAGES LLC ("Tenant").

TENANT AGREES AS FOLLOWS:

1. Pursuant to that certain Lease Agreement dated as of November 6, 2008 (the "Lease") by and between WELLS 60 BROAD STREET, LLC ("Landlord") and Tenant, Tenant is leasing from Landlord the following premises: Entire rentable portion of the thirtieth (30th) floor at 60 Broad Street, New York, New York 10004 (the "Premises"), as more particularly described in the Lease.

2. It is generally understood that mold spores are present essentially everywhere and that mold can grow in any moist location. Emphasis is properly placed on prevention of moisture and on good housekeeping and ventilation practices. Tenant acknowledges the necessity of housekeeping, ventilation, and moisture control (especially in kitchens, janitor's closets, bathrooms, break rooms and around outside walls) for mold prevention. In signing this Memorandum, Tenant has first inspected the aforementioned Premises and certifies that Tenant has not observed mold, mildew or moisture within the Premises. Tenant agrees to immediately notify Landlord if Tenant observes mold/mildew and/or moisture conditions (from any source, including leaks), and Tenant agrees to allow management to evaluate and make recommendations and/or take appropriate corrective action. Tenant releases Landlord, its agents, representatives, members and employees from any liability for any personal injury or damages to property caused by or associated with moisture or the growth of or occurrence of mold or mildew in or around the Premises. In addition, execution of this Memorandum constitutes acknowledgement by Tenant that control of moisture and mold prevention are integral to its obligations under the Lease.

3. This Exhibit shall be and is incorporated into the Lease between the Landlord and Tenant.

4. Tenant acknowledges receipt of the Moisture and Mold Control Instructions, a copy of which is attached hereto, and which instructions are subject to modification, from time to time.

TENANT:

SHUTTERSTOCK IMAGES LLC

By: /s/ Jon Oringer

MOISTURE AND MOLD CONTROL INSTRUCTIONS

It is important for you to know that exercising proper ventilation and moisture control precautions will help maintain your comfort and prevent mold growth in the Premises. Tenant should adopt and implement the following guidelines, to avoid developing excessive moisture or mold growth.

1. Report any maintenance problems involving water, moist conditions, or mold to the Property Manager promptly and conduct its required activities in a manner which prevents unusual moisture conditions or mold growth.
2. Do not block or inhibit the flow of return or make-up air into the HVAC system. Maintain the suite at consistent temperature and humidity level in accordance with the Property Manager's instructions.
3. Regularly conduct janitorial activities, especially in bathrooms, kitchens, and janitorial spaces to remove mildew and prevent or correct moist conditions.
4. Maintain water in all drain traps at all times.

EXHIBIT "I"

INTENTIONALLY DELETED

EXHIBIT "J"

FORM OF LETTER OF CREDIT

Irrevocable Letter of Credit Number _____ Date _____

Beneficiary:

Wells 60 Broad Street, LLC
c/o Piedmont Office Realty Trust, Inc.
11695 Johns Creek Parkway, Suite 350
Johns Creek, Georgia 30097
Attn: George Wells

Ladies & Gentlemen:

We hereby issue our irrevocable Letter of Credit in your favor, for the account of _____ (the "Applicant") for an aggregate amount not exceeding U.S. Dollars _____ and 00/100 **US\$ _____ ** (the "Stated Amount"). This Letter of Credit is issued in support of that certain Lease, dated November 6, 2008, between Shutterstock Images LLC (including all successors and/or assigns) and Wells 60 Broad Street, LLC, as landlord (the "Supported Lease"). Funds are available to the Beneficiary hereunder against the presentation, at our office as stipulated herein, of Beneficiary's appropriately completed Drawing Certificates in the form of Exhibit A or B attached hereto.

As used herein, the term "Beneficiary" shall mean the above named Beneficiary or any Transferee, named in a Transfer Instruction, submitted to and acted upon by _____, as hereinafter provided for.

Drawing Certificates in the form of Exhibit A may be presented to us on or prior to December 31, 200 _____ or any extended date as hereinafter provided for, (the "Expiration Date"). Drawing Certificates in the form of Exhibit B may be presented to us not earlier than thirty (30) days prior to and not later than the Expiration Date in effect at the time of presentation. **[ANY FINAL EXPIRATION DATE MUST EXTEND 90 DAYS FOLLOWING EXPIRATION OF LEASE TERM]**

If a Drawing Certificate is presented and received by us hereunder by 10:00 a.m. (New York City time) on a Business Day and provided that such Drawing Certificate conforms to the terms and conditions of this Letter of Credit, payment shall be made to the Beneficiary of the amount specified in the Drawing Certificate in immediately available funds, by not later than 4:00 p.m. on the same Business Day. If a Drawing Certificate is presented and received by us hereunder after 10:00 a.m. (New York City time) on any Business Day and provided that such Drawing Certificate conforms to the terms and conditions of this Letter of Credit, payment shall be made to the Beneficiary of the amount specified in the Drawing Certificate in immediately available funds by not later than 4:00 p.m. on the next Business Day. If a Drawing Certificate presented and received by us hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give the Beneficiary written notice, within one (1) Business Day of our receipt of such Drawing Certificate that the Drawing Certificate does not conform to the terms and conditions of this Letter of Credit stating the reasons therefore, and we will upon Beneficiary's instruction hold any such Drawing Certificate at the disposal of or return same to the Beneficiary. Upon receipt of a notice that a Drawing Certificate does not comply with the terms and conditions of this Letter of Credit, the Beneficiary may attempt to correct any such non-conforming Drawing Certificate within the then current Expiration Date of the Letter of Credit.

As used herein, the term "Business Day" shall mean any day other than a Saturday, Sunday or any other day on which banks in New York are authorized or required by law to close.

It is a condition of this Letter of Credit that the Expiration Date shall be deemed automatically extended, without amendment, for successive one year periods unless at least thirty (30) days prior to any Expiration Date we notify the Beneficiary (with a copies to (i) Wells 60 Broad Street LLC, 60 Broad Street, New York, New York 10004; Attn: Property Management Office, Property Manager and to (ii) Eric J. Sarnar, 60 Broad Street, Concourse Level, New York, New York 10004) in writing by, at our option, registered mail or overnight courier of our intention not to extend the Expiration Date. Upon receipt of a non-extension notice, the Beneficiary may draw hereunder, for up to the then Stated Amount by means of a Drawing Certificate in the form of Exhibit B, attached hereto.

This Letter of Credit expires at, and all Drawing Certificates must be presented to, our office located at _____ Attention: _____
[PLEASE INSERT ADDRESS, WHICH MUST BE WITHIN BOROUGH OF MANHATTAN, STATE OF NEW YORK].

Multiple drawings in the form of an Exhibit A Drawing Certificate are permitted. Only one drawing in the form of an Exhibit B Drawing Certificate is permitted. Upon our honoring any drawing in the form of an Exhibit B Drawing Certificate this Letter of Credit will terminate.

This Letter of Credit is transferable in its entirety (but not in part) and notwithstanding Article 48 of the Uniform Customs (as defined below), this Letter of Credit may be successively transferred. We shall not recognize any transfer of this Letter of Credit until (i) an executed Transfer Instruction in the form annexed hereto as Exhibit C is filed with us accompanied by the original of this Letter of Credit and amendments, if any. After any transfer of the Letter of Credit, the Drawing Certificates and Transfer Instruction must be issued and submitted to us by the then applicable beneficiary. Our transfer fee is % and shall be charged to the Applicant's account.

To effect a transfer, we shall at our option, either endorse this Letter of Credit in favor of the Transferee or issue a replacement Letter of Credit in favor of the Transferee in the form of this Letter of Credit.

We hereby undertake to promptly honor Drawing Certificates presented under and in compliance with the terms and conditions of this Letter of Credit upon due presentation to us.

This Letter of Credit sets forth in full our undertaking and such undertaking shall not in any way be modified, amplified or limited by reference to any document, instrument or agreement referred to herein except for the required Drawing Certificates and Transfer Instruction.

Except as expressly stated otherwise herein, this Letter of Credit is issued subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 (the "Uniform Customs"). As to matters not governed by the Uniform Customs, this Letter of Credit is deemed issued under the Laws of the State of New York.

Communications with respect to this Letter of Credit, shall be in writing, and shall be addressed to us at the address shown above. All communications must make reference to our Letter of Credit number.

Very truly yours,

By: _____
Name: _____

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Title: _____
Tel: _____

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Exhibit A to Letter of Credit No:

Drawing Certificate

{BANK ADDRESS}

Re: Your Letter of Credit No.

Ladies and Gentlemen:

The undersigned, a duly authorized officer of _____, the Beneficiary of the captioned Letter of Credit (the "Credit"), hereby certifies to (the "Bank") with regards to the Credit that:

1. The Beneficiary is the owner/landlord under the lease documents covering the property that is the subject of the Supported Lease.
2. A default under the Supported Lease has occurred and is continuing or the tenant under the Supporting Lease has filed for protection under the federal bankruptcy laws.
3. As a result of the default or the bankruptcy of Applicant, the Beneficiary hereby makes demand for payment of US\$[amount to inserted] from the Bank under the Credit.

Payment of the above demanded amount is to be made in immediately available funds, by wire transfer, to the Beneficiary in accordance with the following payment instructions:

[Insert Payment Instructions]

In witness whereof, the Beneficiary has executed this Drawing Certificate on [date to be inserted].

[Name of Beneficiary on date of Drawing Certificate to be inserted]

By: _____
Name: _____

Exhibit B to Letter of Credit No.

Drawing Certificate

{BANK ADDRESS}

Re: Your Letter of Credit No.

Ladies and Gentlemen:

The undersigned, a duly authorized officer of _____, the Beneficiary of the captioned Letter of Credit (the "Credit"), hereby certifies to (the "Bank") with regards to the Credit that:

- 1. Beneficiary has received notice from the Bank that the Expiration Date of the Credit will not be extended beyond the current Expiration Date of [insert Expiration date in effect on the date of the Drawing Certificate]
- 2. Therefore the Beneficiary hereby demands payment of US\$ [amount to inserted] under the Credit, from the Bank.

Payment of the above demanded amount is to be made in immediately available funds, by wire transfer, to the Beneficiary in accordance with the following payment instructions:

[Insert Payment Instructions]

In witness whereof, the Beneficiary has executed this Drawing Certificate on [date to be inserted].

[Name of Beneficiary on date of Drawing Certificate to be inserted]

By: _____
Name: _____

Exhibit C to Letter of Credit No.

Transfer Instruction

Date

{BANK ADDRESS}

Re: Your Letter of Credit No.

Ladies & Gentlemen:

For value received, the undersigned Beneficiary hereby irrevocably instructs you to transfer to:

(name of Transferee)

(address)

all rights of the undersigned Beneficiary under the above referenced Letter of Credit in its entirety.

By this transfer, all rights of the undersigned Beneficiary in the Letter of Credit are transferred, subject to the terms thereof, to the Transferee and the Transferee shall have the sole rights as Beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the Transferee without necessity of any consent of or notice to the undersigned Beneficiary.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and forward it directly to the Transferee with your customary notice of transfer or in exchange for this Letter of Credit to issue a new Letter of Credit in favor of the Transferee **identical to** this Letter of Credit and to forward the new Letter of Credit directly to the Transferee with your customary notice of transfer.

Very truly yours,

[Name of Beneficiary on date of Transfer Instruction to be inserted]

By: _____
Name: _____

The above signature is guaranteed and is in conformity to that on file with us as to the signer's authorization to execute this document.

[Name of Authenticating Bank to be Inserted]

By: _____
Name: _____
Title: _____

AMENDMENT TO LEASE

This Amendment to Lease (hereinafter, "Agreement") dated this 21st day of March, 2012, by and between WELLS 60 BROAD STREET LLC (hereinafter, the "Landlord"), c/o Piedmont Office Realty Trust, Inc., having an office at 11695 Johns Creek Parkway, Suite 350, Johns Creek, Georgia 30097, and SHUTTERSTOCK IMAGES LLC (hereinafter, the "Tenant"), a New York limited liability company, with offices at 60 Broad Street, 30th Floor, New York, New York 10004.

WITNESSETH:

WHEREAS, Landlord and Tenant entered into a certain Lease Agreement dated as of November 6, 2008 (the "Existing Lease") for the entire rentable portion of the thirtieth (30th) floor (hereinafter, the "30th Floor Premises") in the office building located at 60 Broad Street, New York, New York (the "Building"), as more particularly described in the Existing Lease;

WHEREAS, Tenant has notified Landlord of its desire to expand its space in the Building to include: (a) approximately 5,473 rentable square feet of space on the thirty-sixth (36th) floor of the Building (as described on the floor plan attached hereto as Exhibit "A" and referred to hereinafter as the "36th Floor Premises") and (b) approximately 2,395 rentable square feet of space on the thirty-eighth (38th) floor of the Building (as described on the floor plan attached hereto as Exhibit "B" and referred to hereinafter as the "38th Floor Premises"); the 36th Floor Premises and the 38th Floor Premises shall be collectively be referred to hereinafter as the "Additional Premises";

WHEREAS, the obligations of the Tenant under the Lease have been guaranteed by JON ORINGER (hereinafter, "Guarantor") in accordance with a separate agreement of guaranty which is annexed to the Existing Lease as Exhibit F (hereinafter, the "Guaranty");

WHEREAS, the Existing Lease is scheduled to expire on November 30, 2013 (the "Expiration Date");

WHEREAS, Landlord and Tenant wish to amend the Lease in accordance with the terms and conditions of this Agreement; and

WHEREAS, the Existing Lease as modified by the terms and conditions of this Agreement shall be referred to herein as the "Lease".

NOW, THEREFORE, for and in consideration of the mutual covenants set forth below and other good and valuable consideration, it is mutually agreed as follows:

1. Capitalized Terms. All capitalized terms shall have the meaning ascribed to them in the Lease, unless otherwise defined in this Agreement.
2. Intentionally Deleted.
3. Additional Premises.

A. Subject to the terms and conditions contained in this Agreement, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Additional Premises. Tenant acknowledges that it has inspected and examined the Premises and is thoroughly familiar and satisfied with the condition and

1

value thereof; that no representations or warranties have been made to Tenant and that Landlord is unwilling to make any representations and has held out no inducements to Tenant, except as specifically set forth herein. Tenant further acknowledges that (i) all work required to be performed by Landlord under the Existing Lease has been performed and completed and (ii) Landlord shall not be required to perform any work at the Building or the Premises in order to effectuate delivery of possession of the Additional Premises to Tenant. Tenant agrees and acknowledges that it shall accept (a) the 36th Floor Premises in its "as is" condition as of the 36th Floor Commencement Date (as hereinafter defined) and (b) the 38th Floor Premises in its "as is" condition as of the 38th Floor Commencement Date (as hereinafter defined).

B. (i) The term of the Lease for the 36th Floor Premises shall commence on July 1, 2012 (the "36th Floor Commencement Date") and expire on the Expiration Date (November 30, 2013).

(ii) The term of the Lease for the 38th Floor Premises shall commence on March 26, 2012 (the "38th Floor Commencement Date") and expire on the Expiration Date (November 30, 2013).

C. (i) Supplementing Section 1.14 of the Existing Lease and Section 4 of this Agreement, in the event Landlord cannot deliver possession of the 36th Floor Premises to Tenant on or before the 36th Floor Commencement Date (except if caused by the acts or delays of Tenant), the dates set forth herein with respect to the 36th Floor Commencement Date and the 36th Floor Rent Commencement Date (as hereinafter defined) shall be pushed back one (1) day for each day after the 36th Floor Commencement Date for which possession is not delivered to Tenant.

(ii) Supplementing Section 1.14 of the Existing Lease and Section 4 of this Agreement, in the event Landlord cannot deliver possession of the 38th Floor Premises to Tenant on or before the 38th Floor Commencement Date (except if caused by the acts or delays of Tenant), the dates set forth herein with respect to the 38th Floor Commencement Date and the 38th Floor Rent Commencement Date (as hereinafter defined) shall be pushed back one (1) day for each day after the 38th Floor Commencement Date for which possession is not delivered to Tenant.

D. Supplementing Section 2.2 of the Lease, if this Agreement is executed before the Additional Premises become vacant, or otherwise available for occupancy, or if any tenant or occupant of the Additional Premises holds over, and Landlord cannot acquire legal possession of the Additional Premises prior to the 36th Floor Commencement Date or the 38th Floor Commencement Date, as applicable, Landlord shall not be in default hereunder, and Tenant shall accept possession of the Additional Premises when Landlord is able to tender the same, and such date shall be deemed to be the date Tenant shall have accepted the same as suitable for the purposes herein intended and to have acknowledged that the same comply with Landlord's obligations. Notwithstanding anything to the contrary contained in this Agreement, if Landlord does not deliver possession of the 36th Floor Premises as required hereunder to Tenant on or before the date which is sixty (60) days from the 36th Floor Commencement Date (the "36th Floor Outside Date"), then (except if Landlord's failure is due to a

Tenant delay or force majeure, in which case such 36th Floor Outside Date shall be extended one (1) day for each day of such Tenant delay or force majeure) the date Tenant begins to pay Base Rent for the 36th Floor Premises shall be postponed one-half (½) of a day for each day after the 36th Floor Outside Date that Landlord shall have failed to so deliver the 36th Floor Premises as required to Tenant. If Landlord does not deliver possession of the 38th Floor Premises as required hereunder to Tenant on or before the date which is sixty (60) days from the 38th Floor Commencement Date (the “38th Floor Outside Date”), then (except if Landlord’s failure is due to a Tenant delay or force majeure, in which case such 38th Floor Outside Date shall be extended one (1) day for each day of such Tenant delay or force majeure) the date Tenant begins to pay Base Rent for the 38th Floor Premises shall be postponed one-half (½) of a day for each day after the 38th Floor Outside Date that Landlord shall have failed to so deliver the 38th Floor Premises as required to Tenant.

E. (i) Except as may be provided for otherwise in this Agreement, as of the 36th Floor Commencement Date and throughout the term of the Lease for the 36th Floor Premises, where the context allows, references to “Premises” or “Demised Premises” in the Lease shall also apply to the 36th Floor Premises. Exhibit A to the Lease, and other references to the Premises which by their nature do not apply to the 36th Floor Premises, are excluded from this Agreement.

(ii) Except as may be provided for otherwise in this Agreement, as of the 38th Floor Commencement Date and throughout the term of the Lease for the 38th Floor Premises, where the context allows, references to “Premises” or “Demised Premises” in the Lease shall also apply to the 38th Floor Premises. Exhibit A to the Lease, and other references to the Premises which by their nature do not apply to the 38th Floor Premises, are excluded from this Agreement.

4. Base Rent. In accordance with the terms and conditions of the Lease, Tenant shall pay Base Rent for the Premises to Landlord on the first (1st) day of each month, in accordance with the following schedule:

A. 36th Floor Premises:

36 th Floor Commencement Date through November 30, 2013	\$229,866.00 per annum \$ 19,155.50 per month
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B. 38th Floor Premises:

38 th Floor Commencement Date through November 30, 2013	\$ 100,590.00 per annum \$ 8,382.50 per month
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5. Tenant’s Percentage. Section 1.10 of the Existing Lease shall be revised as follows: “Tenant’s Percentage” with respect to the Premises shall mean 2.07% (0.0207). “Tenant’s Percentage” with respect to the 30th Floor Premises shall mean 1.27% (0.0127). “Tenant’s Percentage” with respect to the 36th Floor Premises shall mean 0.56% (0.0056). “Tenant’s Percentage” with respect to the 38th Floor Premises shall mean 0.24% (0.0024).

6. Additional Rent. For purposes of further clarification, all the terms and conditions in the Lease regarding Additional Rent (including, without limitation, Section 4 and Section 52 of the Lease) shall apply to the 36th Floor Premises as of the 36th Floor Commencement Date and to the 38th Floor Premises as of the 38th Floor Commencement Date, except that the “Base Tax Year” (as defined in Section 4A(iii) of the Existing Lease), with respect to the Additional Premises, shall mean the fiscal year commencing July 1, 2012 and ending June 30, 2013.

7. Landlord’s Address. Amending Section 1.5 of the Lease, Landlord’s address is: c/o Piedmont Office Realty Trust, Inc., 11695 Johns Creek Parkway, Suite 350 Johns Creek, Georgia 30097, Attn: Senior Vice President, East Region.

8. Notices. Section 28 of the Existing Lease shall be stricken in its entirety. Any notice by either party to the other required under the Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, by overnight mail by a reputable overnight delivery service or by hand delivery, addressed (A) to Landlord at (i) c/o Piedmont Office Realty Trust, Inc., 11695 Johns Creek Parkway, Suite 350 Johns Creek, Georgia 30097, Attn: Asset Management Department and (ii) Piedmont Office Realty Trust, Inc., 60 Broad Street, Lower Concourse, New York, New York 10004, Attn: Senior Property Manager, with a copy to (iii) Eric J. Sarnar, Esq. 1350 Avenue of the Americas, 17th Floor, New York, New York 10019, and (B) to Tenant at (i) 60 Broad Street, 30th Floor, New York, New York 10004;

Attention: Daniel Rootenberg, with a copy to (ii) Michael C. Lesser, Esq., Shutterstock Images LLC, 60 Broad Street, 30th Floor, New York, New York 10004. All notices properly addressed shall be deemed served upon receipt by the addressee or, in the case of notice by certified or registered mail, three (3) days after the date of mailing, except that notice of change of address shall not be deemed served until received by the addressee.

9. Brokerage. CRG MANAGEMENT, LLC HAS REPRESENTED LANDLORD IN THIS TRANSACTION. NEWMARK & COMPANY REAL ESTATE, INC. D/B/A NEWMARK KNIGHT FRANK HAS REPRESENTED TENANT IN THIS TRANSACTION. CRG MANAGEMENT, LLC AND NEWMARK KNIGHT FRANK SHALL BE COLLECTIVELY REFERRED TO HEREINAFTER AS THE “BROKER”. BROKER SHALL BE PAID A COMMISSION BY LANDLORD IN CONNECTION WITH THIS AGREEMENT, UNDER A SEPARATE AGREEMENT. Tenant warrants that it has had no dealings with any broker or agent in connection with the negotiation or execution of this Agreement other than with the Broker specifically identified above, and Tenant agrees to indemnify Landlord against all costs, expenses, attorneys’ fees or other liability for commissions or other compensation or charges claimed by any broker or agent claiming the same by, through or under Tenant, other than with the Broker specifically identified above.

10. Guaranty. Guarantor hereby reaffirms all of its obligations under the Guaranty.

11. Options to Renew.

A. If (i) immediately prior to the expiration of the Lease Term, Tenant is in actual occupancy of the Premises and has not assigned this Lease or sublet any portion of the Premises (other than pursuant to an assignment or sublease under Section 9.2 of the Existing Lease), (ii) there has not been a default by Tenant under the Lease beyond all applicable notice and grace periods, (iii) Tenant’s financial condition both at the time of the exercise of the Renewal Option (as hereinafter defined) and immediately preceding the commencement of the Renewal Term (as hereinafter defined) is reasonably acceptable to Landlord

and (iv) Tenant, not less than nine (9) months and not more than eighteen (18) months prior to the expiration of the Lease Term, time being of the essence, shall have given Landlord a written notice of the election of Tenant to accept a renewal of this Lease, then Landlord shall grant to Tenant and Tenant shall accept a renewal of the Lease (“Renewal Option”). At Landlord’s request, Tenant shall provide Landlord with its current financial information and any other information regarding the Tenant as Landlord may reasonably request. Said renewal shall be for a term of five (5) years from the date of expiration of the Lease Term (“Renewal Term”) and shall be on the same covenants, agreements, terms and provisions as provided for in the Lease, including the payment of Additional Rent, except that the Base Rent for the Renewal Term shall be fixed by agreement not later than four (4) months prior to the date on which the first monthly installment of such Base Rent shall first become payable or, if Landlord and Tenant cannot agree by that time, then by arbitration pursuant to the provisions of Section 11D hereof at the then Fair Market Rental Rate (as hereinafter defined) of the Premises for the Renewal Term. If the Base Rent for the Renewal Term shall not have been fixed on or prior to the date the same shall first become payable, Tenant shall pay an interim rental at the rental rate last in effect until the arbitration shall have been completed, after which Landlord and Tenant shall make appropriate adjustment of such interim rent, such adjustment to be as of the commencement date of the Renewal Term. In the event that Fair Market Rental Rate is applied, the Base Rent shall be subject to the provisions of Sections 1.15 and 4 of the Lease. Notwithstanding the foregoing, the Base Rent for any Renewal Term shall not be less than the Base Rent then payable by Tenant for the month immediately preceding the commencement of such Renewal Term.

B. If (i) immediately prior to the expiration of the Renewal Term, Tenant is in actual occupancy of the Premises and has not assigned this Lease or sublet any portion of the Premises other than pursuant to an assignment or sublease under Section 9.2 of the Existing Lease, (ii) there has not been a default by Tenant under the Lease beyond all applicable notice and grace periods, (iii) Tenant’s financial condition

both at the time of the exercise of the Second Renewal Option (as hereinafter defined) and immediately preceding the commencement of the Second Renewal Term (as hereinafter defined) is reasonably acceptable to Landlord and (iv) Tenant, not less than twelve (12) months and not more than eighteen (18) months prior to the expiration of the Lease Term, time being of the essence, shall have given Landlord a written notice of the election of Tenant to accept a renewal of this Lease, then Landlord shall grant to Tenant and Tenant shall accept a renewal of the Lease (“Second Renewal Option”). At Landlord’s request, Tenant shall provide Landlord with its current financial information and any other information regarding the Tenant as Landlord may reasonably request. Said renewal shall be for a term of five (5) years from the date of expiration of the Renewal Term (“Second Renewal Term”) and shall be on the same covenants, agreements, terms and provisions as provided for in the Lease, including the payment of Additional Rent, except that the Base Rent for the Second Renewal Term shall be fixed by agreement not later than four (4) months prior to the date on which the first monthly installment of such Base Rent shall first become payable or, if Landlord and Tenant cannot agree by that time, then by arbitration pursuant to the provisions of Section 11D hereof at the then Fair Market Rental Rate of the Premises for the Second Renewal Term. If the Base Rent for the Second Renewal Term shall not have been fixed on or prior to the date the same shall first become payable, Tenant shall pay an interim rental at the rental rate last in effect until the arbitration shall have been completed, after which Landlord and Tenant shall make appropriate adjustment of such interim rent, such adjustment to be as of the commencement date of the Second Renewal Term. In the event that Fair Market Rental Rate is applied, the Base Rent shall be subject to the provisions of Article 4 of the Lease. Notwithstanding the foregoing, the Base Rent for any Second Renewal Term shall not be less than the Base Rent then payable by Tenant for the month immediately preceding the commencement of such Second Renewal Term.

C. For purposes of this Section 11, the term “Fair Market Rental Rate” shall mean the annual amount per rentable square foot that a willing, non-equity, non-sublease tenant would pay and a willing landlord would accept on a non-sublease, non-renewal basis, at arm’s length, for unencumbered office space comparable to the Premises and in comparable buildings in downtown New York, New York, giving appropriate consideration to economic terms, such as annual rental rates per rentable square foot and escalation clauses, length of lease term, size and location of premises being leased and other generally acceptable terms and conditions for the tenancy of the space in question; provided, however, in calculating the Fair Market Rental Rate, no consideration shall be given to the fact that (i) any rental abatement is or is not given such tenants in connection with the construction of improvements in such comparable space or otherwise, (ii) any tenant improvements or allowances would or would not be provided for such comparable space, or (iii) Landlord is or is not required to pay a real estate brokerage commission in connection with the Renewal Term or Second Renewal Term (as hereinafter defined), as applicable, or the fact that comparable deals do or do not involve the payment of real estate brokerage commissions).

D. The party desiring arbitration as provided in Section 7A or 7B above shall give written notice to that effect to the other party, specifying in said notice the name and address of the person designated to act as appraiser on its behalf. Within fifteen (15) days after the service of such notice, the other party shall give written notice to the first party, specifying the name and address of the person designated to act as appraiser on its behalf. Each appraiser chosen pursuant to this Section 11 shall be a member of the American Institute of Real Estate Appraisers, and shall have at least ten (10) years of real estate appraisal experience within the City of New York. The appraisers so chosen shall meet within ten (10) days after the second appraiser is appointed, and if, within thirty (30) days after the second appraiser is appointed, said appraisers shall not agree upon the question in dispute, they shall each set forth their determination of Fair Market Rental Rate and themselves appoint a third appraiser; and in the event of their being unable to agree upon such appointment within ten (10) days after the time aforesaid, the third appraiser shall be selected by the parties themselves if Landlord and Tenant can agree thereon with a further period of fifteen (15) days. If the parties do not so agree, then either party, on notice to the other, may request such appointment by the then President of the Real Estate Board of New York (or its equivalent or any organization successor thereto), or in

his absence, failure, refusal or inability to act, then either party, on notice to the other, may apply to the Supreme Court in the County of New York for the appointment of such third appraiser and the other party shall not raise any question as to the Court’s full power and jurisdiction to entertain the application and make the appointment. The third appraiser shall determine the Fair Market Rental Rate by selecting the Fair Market Rental Rate proposed by one of the original two (2) appraisers, and such shall be the Fair Market Rental Rate. The decision of the appraiser so chosen shall be given within a period of thirty (30) days after the appointment of such third appraiser. Landlord and Tenant shall each pay the fees of their respective appraiser and the fees of the third appraiser, if any, shall be divided equally.

12. Intentionally Deleted.

13. Intentionally Deleted.

14. Condominium Conversion.

A. Tenant hereby acknowledges and agrees that Landlord shall have the right, at any time during the Lease Term (or any extension thereof) in its sole discretion to convert (the “Condominium Conversion”) the Building and the Land to the condominium form of ownership, consisting of two (2) or more condominium units and their respective, undivided interests in the common elements of such condominium (the “Condominium Units”) (as so converted, the Land

and the Building are sometimes hereinafter referred to collectively as the "Condominium"). In the event that Landlord proceeds with the Condominium Conversion:

(i) Tenant shall promptly cooperate in all respects with Landlord's efforts to accomplish such Condominium Conversion, such cooperation to include, without limitation, the execution, to the extent deemed necessary by Landlord, of any documents reasonably necessary to the formation and/or conduct of the Condominium (the "Condominium Documents"). Tenant acknowledges that the Condominium Documents may include without limitation, a Declaration of Condominium, Condominium By-Laws and a subordination of this Lease to such Condominium Documents.

(ii) The Condominium Unit of which the Premises forms a part (the "Tenant Unit") may consist in whole or in part of the Premises.

(iii) The contents of the Condominium Documents shall be binding upon the Tenant Unit and Tenant.

B. In the event that the Land and Building are converted to condominium ownership, then notwithstanding anything to the contrary contained in Section 4 of the Lease, for purposes of calculating Tenant's payment of Taxes with respect to the Tenant Unit, the following provisions shall apply:

(i) The terms "Land", "Building", and "Project", as they appear in Section 4 hereof, shall be deemed to collectively refer to the Tenant Unit;

(ii) Tenant's Percentage shall be a fraction, expressed as a percentage, the numerator of which shall be the number of rentable square feet contained in the Premises and the denominator of which shall be the number of rentable square feet contained in the Tenant Unit; and

(iii) The term "Base Taxes", as it appears in Section 4 of the Lease, shall be recalculated by multiplying the Base Taxes in effect prior to such recalculation on a per rentable square foot basis, by the number of rentable square feet in the Tenant Unit.

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C. In no event shall Condominium Conversion result in any increased calculation of expenses to Tenant pursuant to the Lease, whether taxes, operating expenses or otherwise, or reduce in any material manner any rights or benefits afforded Tenant pursuant to this Lease. Notwithstanding the foregoing, in no event shall a Condominium Conversion that involves mixed residential and office use be deemed to reduce any rights or benefits afforded Tenant pursuant to the Lease.

15. Miscellaneous.

A. Except as expressly modified by the terms of this Agreement, all other terms and conditions of the Existing Lease remain the same and in full force and effect and shall apply to this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties. This Agreement, along with the Existing Lease, constitutes the entire understanding between the parties hereto and the same may not be amended or modified orally. If there shall be any conflict between the terms of the Existing Lease and this Agreement, this Agreement shall prevail. All understandings and agreements heretofore had between the parties are merged in this Agreement which, along with the Existing Lease, fully and completely expresses their understanding.

B. Tenant acknowledges and confirms that (i) it has inspected and examined the Additional Premises and is thoroughly familiar and satisfied with the condition and value thereof, (ii) no representations or warranties have been made to Tenant and (iii) Landlord is unwilling to make any representations and has held out no inducements to Tenant, except as specifically set forth herein. Tenant has accepted the Additional Premises in "as is" condition, and Landlord shall not be required to perform any work at the Building or in the Additional Premises in order to effectuate delivery of possession of the Additional Premises to Tenant.

C. The captions contained in this Agreement are for convenience of reference only and in no way limit or enlarge the terms and conditions of this Agreement.

D. Tenant covenants, warrants and represents that (i) each individual executing, attesting and/or delivering this Agreement on behalf of Tenant is authorized to do so on behalf of Tenant; (ii) the Lease is binding upon Tenant; and (iii) Tenant is duly organized and legally existing in the state of its organization and is qualified to do business in the state in which the Premises are located. Tenant hereby confirms that Landlord is not in default under any provisions of the Lease and that there are presently no existing claims, counterclaims or defenses with respect to the Lease.

E. This Agreement shall be deemed to have been jointly drafted by each Landlord and Tenant for all purposes involving its construction and enforcement. Delivery of an executed counterpart of this Agreement by facsimile or electronically shall be equally effective as delivery of an original executed counterpart.

*SIGNATURES BEGIN ON THE NEXT PAGE.
THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.*

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IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment of Lease as of the date first written above.

LANDLORD:

WELLS 60 BROAD STREET, LLC,
a Delaware limited liability company

By: Piedmont Operating Partnership, L.P.,
a Delaware limited partnership, its member - manager

By: Piedmont Office Realty Trust, Inc.,
a Maryland Corporation, its sole General Partner

By: /s/ George Wells
George Wells
Senior Vice President

TENANT:

SHUTTERSTOCK IMAGES LLC

By: /s/ Tim Bixby
Print name: Tim Bixby
Title: CFO

GUARANTOR:

JON ORINGER, a natural person

/s/ Jon Oringer

STATE OF NEW YORK)
) SS.:
COUNTY OF YORK)

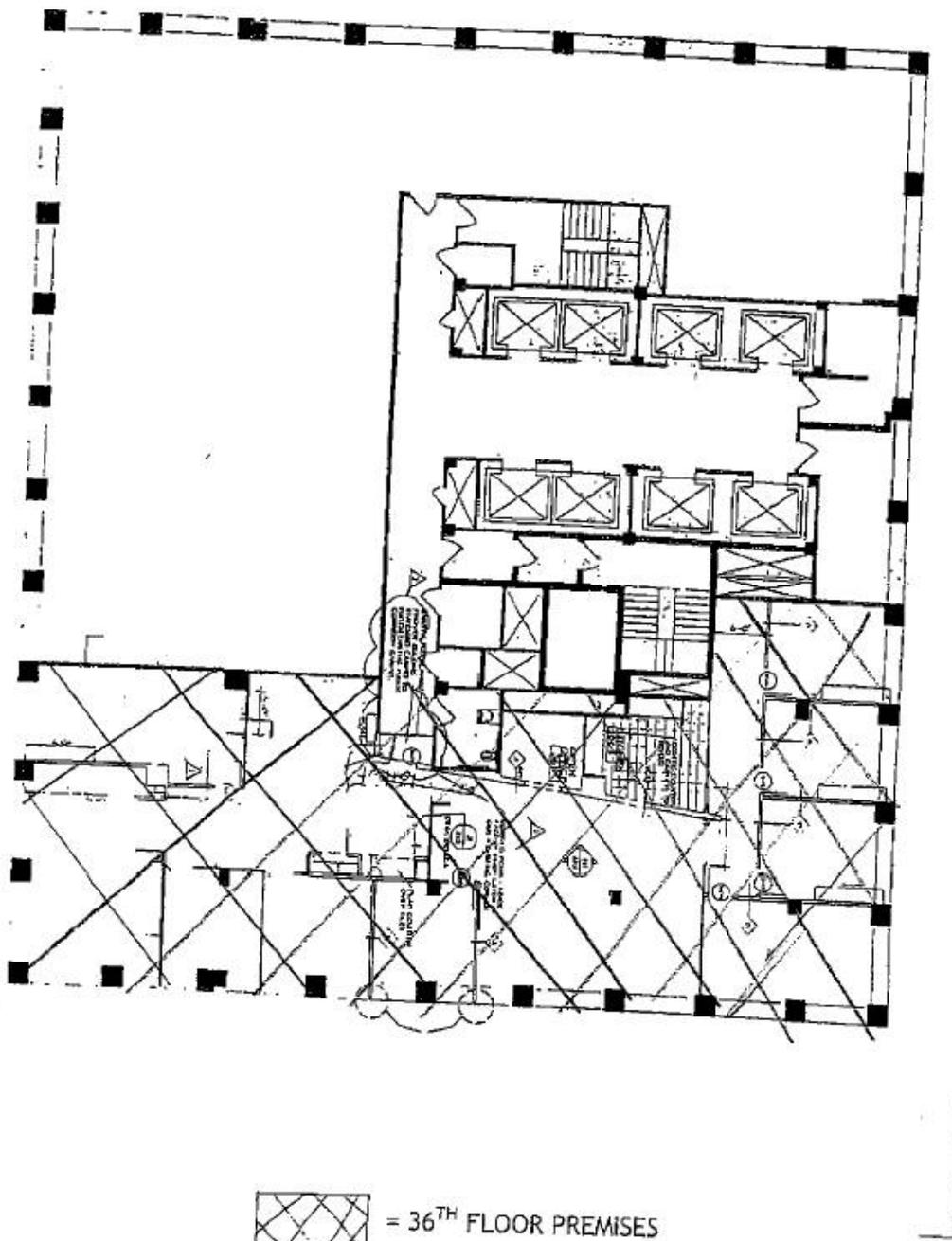
On the 26TH day of March, 2012, before me, the undersigned, personally appeared Jon Oringer to me personally known or proved to me on the basis of satisfactory evidence to be the individual(s) described in and who executed the within instrument; and thereupon acknowledged to me that he/she/they executed the same.

/s/ Michael C. Lesser
Notary Public

MICHAEL C. LESSER
NOTARY PUBLIC-STATE OF NEW YORK
No. 02LE6206147
Qualified in New York County
My Commission Expires May 18, 2013

EXHIBIT "A"

FLOOR PLAN - 36TH FLOOR PREMISES



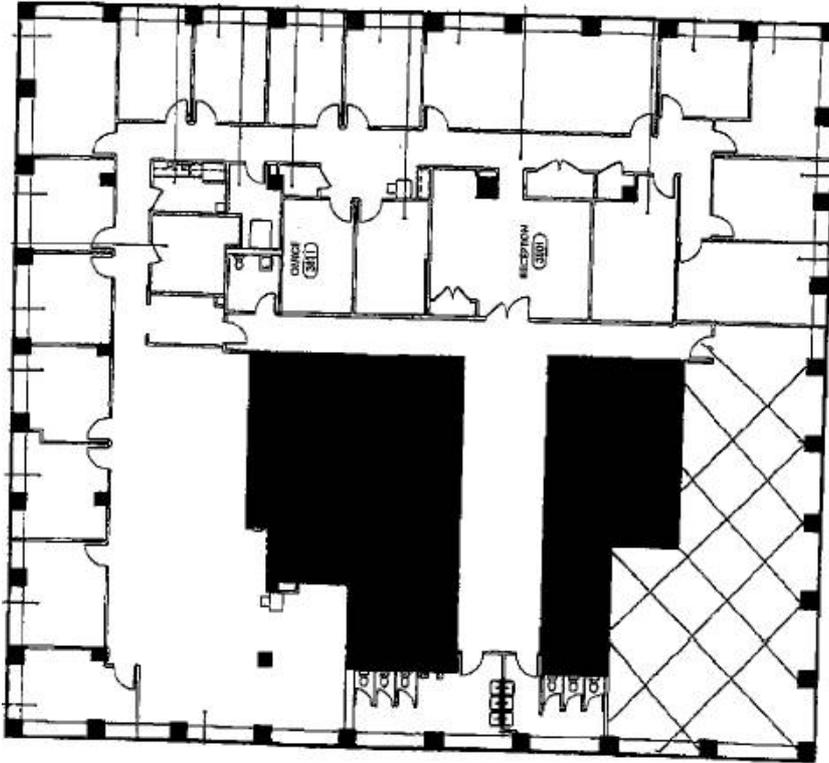
NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IS MADE AS TO THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND THE SAME IS SUBMITTED SUBJECT TO ERRORS, OMISSIONS, CHANGES OR OTHER CONDITIONS.

EXHIBIT "B"

FLOOR PLAN - 38TH FLOOR PREMISES



ADRES OYONB



= 38TH FLOOR PREMISES

SCALE: 1/8" = 1'-0"

FLOOR PLAN
38TH FLOOR

40 BROAD STREET
NEW YORK, NY

NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IS MADE AS TO THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND THE SAME IS SUBMITTED SUBJECT TO ERRORS, OMISSIONS, CHANGES OR OTHER CONDITIONS.

EXECUTION VERSION

SUBLEASE

Sublease (the "Sublease") dated as of November , 2010, between **WJB CAPITAL GROUP, INC.** (formerly "**W.J. Bonfanti, Inc.**") a New York corporation having an office at 60 Broad Street, 34th Floor, New York, New York 10004 ("**Sublessor**") and **SHUTTERSTOCK IMAGES LLC**, a New York limited liability company having an office at 60 Broad Street, 30th Floor, New York, New York 10004 ("**Subtenant**").

1. Demise and Term.

a. Sublessor hereby subleases to Subtenant, and Subtenant hereby hires from Sublessor, approximately 12,118 rentable square feet of commercial office space constituting the entire thirty-fourth (34th) floor in the building located at 60 Broad Street, New York, New York (the "**Building**"), as shown on the cross-hatch of the floor plan on Exhibit "A" annexed hereto and made a part hereof (the "**Subleased Premises**"). The Subleased Premises is comprised of (i) the entire premises leased to Sublessor under a lease dated June 15, 2005 as amended by the Amendment of Lease dated September 7, 2005 and as further amended by the Second Amendment of Lease dated as of March 12, 2007 between 60 Broad Street LLC, as landlord (the "**Landlord**") and Sublessor, as tenant (the "**Prime Lease**") and (ii) the premises subleased to the Sublessor by Avalon Partners, Inc. ("**Avalon**") under the terms of a Sublease between Avalon and Sublessor dated February 12, 2007 (the "**Avalon Sublease**"). A redacted copy of the Prime Lease is annexed to this Sublease as Exhibit "B-1" and made a part hereof. A redacted copy of the Avalon Sublease is annexed to this Sublease as Exhibit "B-2" and made a part hereof. (The Prime Lease and the Avalon Sublease are sometimes hereafter referred to, collectively, as the "**Overleases**").

b. The term (the "**Term**") of this Sublease shall commence one day following the date that the last of the Landlord and Avalon give their respective Consent (hereinafter defined) to this Sublease in the manner required by this Sublease, the Prime Lease and the Avalon Sublease (the "**Commencement Date**") and expire at 11:59 P.M. on June 29, 2015 (the "**Expiration Date**") unless sooner canceled or otherwise terminated as provided in this Sublease. Notwithstanding the foregoing, except as otherwise provided in subparagraph c. of this Paragraph "1": a) Sublessor shall not be subject to any liability for its failure to deliver the Subleased Premises to Subtenant by any particular date; and b) the validity of this Sublease shall not be impaired thereby nor the Expiration Date extended thereby. Except as provided in paragraph c of this paragraph 1, Subtenant expressly waives any right to rescind this Sublease under Section 223-a of the New York Real Property Law or under any present or future statute of similar import then in force and further expressly waives the right to recover any damages that may result from Sublessor's failure to deliver possession of the Subleased Premises on any particular date. Except as expressly provided to the contrary, Subtenant agrees that the provisions of this subparagraph (b) are intended to constitute "an express provision to the contrary" within the meaning of said Section 223-a.

c. On or before December 1, 2010, Sublessor will provide Subtenant with written notice of the date upon which Sublessor will grant possession of the Subleased Premises to Subtenant (the "Possession Date"). In the event that Sublessor fails to provide the aforesaid notice on or before December 1, 2010, the Possession Date shall be deemed to be May 1, 2011 and Subtenant shall have all rights and remedies set forth in this subparagraph 1 c. If the

Possession Date is later than April 30, 2011, Subtenant may, upon ten (10) days' written notice given within ten (10) days of Subtenant's receipt of Sublessor's notice of the Possession Date, cancel this Sublease. Upon such cancellation, all amounts paid by Subtenant to Sublessor will immediately be refunded to Subtenant and the parties shall have no further obligations to one another. In the event that Subtenant elects not to cancel this Sublease, or if the Possession Date is prior to April 30, 2011 Sublessor will credit Subtenant in an amount equal to one thirtieth of the first month's rent for each day that possession of the Subleased Premises is delayed beyond the Possession Date for a period of fifteen days. For each day after the initial fifteen day period that Sublessor does not deliver possession of the Subleased Premises to Subtenant, Sublessor shall credit Subtenant in an amount equal to one fifteenth of the first month's rent for each day that possession of the Subleased Premises is delayed beyond the Possession Date. The amount of such credit shall be paid to Subtenant (or credited against Rent due) within ten days of the date that possession of the Subleased Premises is granted to Subtenant, or within ten (10) days of the date Subtenant cancels this lease as herein provided. In addition to the foregoing, Subtenant shall have the right to terminate this Sublease on five days written notice to Sublessor if Subtenant is not given possession of the Subleased Premises within thirty days of the Possession Date."

d. Sublessor represents and warrants to Subtenant that: (i) the copy of each of the Prime Lease and the Avalon Sublease attached hereto as Exhibits "B-1" and "B-2", respectively, is a true and accurate copy of the Prime Lease and Avalon Sublease, as the case may be, and has not been amended or modified except as expressly set forth in Exhibits B-1 and B-2 attached hereto; (ii) Sublessor is not now, and as of the Commencement Date will not be, in default or breach of any of the provisions of the Prime Lease or the Avalon Sublease; (iii) Sublessor has no knowledge of any claim by Landlord or Avalon that Sublessor is in default or breach of any of the provisions of the Prime Lease or the Avalon Sublease; (iv) Sublessor has no knowledge of any default or breach by Landlord or Avalon of any of the provisions of the Prime Lease or the Avalon Sublease; and (v) no other agreements exist by and between Landlord or Avalon, Sublessor or any third party affecting the Subleased Premises except for those set forth in Exhibits "B-1" and "B-2" attached hereto. Following the execution and delivery hereof, upon becoming aware of any breaches of the Prime Lease and/or Avalon Sublease by any of the parties thereto, Sublessor shall notify Subtenant of same.

2. Rent.

a. During each Lease Year (as hereinafter defined) of the Term, commencing on the date that Sublessor delivers possession of the Subleased Premises to Subtenant (the "Possession Date"), Subtenant shall pay to Sublessor Fixed Rent at the annual rate of \$363,540 in monthly installments of \$30,295.00, which shall be payable in advance on the first (1st) day of each calendar month during the Term of this Sublease and shall be delivered to Sublessor at Sublessor's address set forth above, except that one full monthly installment of Fixed Rent due under this Sublease shall be paid concurrently with the execution and delivery of this Sublease by Subtenant, which payment shall be applied toward Fixed Rent first accruing under this Sublease. If the Possession Date shall be other than the first (1st) day of a calendar month and/or the Expiration Date does not fall on the last day of a calendar month, then in each case the Fixed Rent for the calendar month in which the Possession Date or the Expiration Date (as the case may be) falls shall be prorated in the proportion that the number of days in that month falling within the term of this Sublease bears to the total number of days in that calendar month. A "**Lease Year**" shall mean a period of twelve (12) consecutive calendar months. The first Lease

b. In addition to Fixed Rent payable during the Term, Subtenant shall upon demand pay to Sublessor all amounts payable by Sublessor to the Landlord for the provision of redistributed electricity to the Sublease Premises in accordance with Section 52 of the Prime Lease.

c. In addition to Fixed Rent, Subtenant shall be responsible to pay to Sublessor Tenant's Share (1.25%) of (i) Taxes, as defined in and in accordance with Article 4 of the Prime Lease, which are in excess of Taxes for the 2011/2012 Tax Year and (ii) operating costs, as defined in accordance of Article 4 of the Prime lease, which are in excess of operating costs for the 2011 operating year.

d. Subtenant shall pay to Sublessor on demand any and all amounts payable by Sublessor to the Landlord pursuant to the provisions of the Prime Lease, except rent and additional rent, in respect of Subtenant's use of the Subleased Premises only, for all periods occurring within the term of this Sublease. Subtenant shall pay all charges specifically attributable to the Subleased Premises and Subtenant's use and occupancy thereof and shall not be obligated to pay any amount in respect of charges attributable to any space other than the Subleased Premises. Such charges may be billed to Subtenant either by Sublessor or directly by Landlord, and shall include, for example and without limitation, charges for extra services furnished (such as air conditioning) and building directory listings.

e. Subtenant shall not be entitled to any abatement or other adjustment of the rent payable under this Sublease as the result of the failure, interruption, diminution, or other impairment of any services except as specifically provided herein or in the Prime Lease.

f. All amounts required to be paid under this Sublease by Subtenant to Sublessor shall be deemed "rent". No payment by Subtenant or receipt by Sublessor of an amount less than the amount required to be paid hereunder shall be deemed other than on account of the earliest unpaid rent; nor shall any endorsement or statement on any check, letter, or other document be deemed an accord and satisfaction, and Sublessor may accept any check or payment without prejudice to Sublessor's right to recover the balance due or to pursue any other right or remedy available to Sublessor.

g. If Subtenant fails to pay in a timely manner any rent or additional rent under this Sublease and said rent shall not be paid by the fifth (5th) day after said amount is due, interest shall accrue on the amount overdue, from the date on which that amount became due and payable until paid, at the maximum rate permitted by law. All such interest for a month shall be due and payable on the first day of the following month. Nothing contained in this subsection, and no acceptance of interest or late charges by Sublessor, shall be construed to extend or change the time for payment of rent or to impair, limit, or otherwise affect any other rights or remedies Sublessor may have as the result of Subtenant's failure to timely pay rent.

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h. Notwithstanding anything to the contrary set forth in this Paragraph 2, the Fixed Rent shall be abated for the first 90 days. Accordingly, Subtenant's obligation to pay Fixed Rent to Sublessor hereunder shall commence ninety (90) days following the Possession Date.

3. Subject To Prime Lease.

This Sublease is and shall be subject and subordinate to the Overleases and to all matters to which the Overleases are and shall be subject and subordinate. Notwithstanding anything to the contrary contained in this Sublease, Subtenant does not have any rights in respect of the Subleased Premises greater than Sublessor's rights under the Overleases. The provisions, terms, conditions and covenants of the Overleases, except as to the amount of the rent, are incorporated by reference into this Sublease such that, except to the extent that they are inapplicable or specifically modified by the provisions of this Sublease for the purposes of incorporation by reference, each and every provision, term, condition and covenant of the Overleases binding upon or inuring to the benefit of Landlord or Avalon thereunder shall, in respect of this Sublease, bind or inure to the benefit of Sublessor, and each provision of the Overleases binding upon or inuring to the benefit of the tenant or "Subtenant" named therein shall, in respect of this Sublease, bind or inure to the benefit of Subtenant, with the same force and effect as though those provisions were completely set forth in this document. To the extent possible, the provisions of the Overleases incorporated by reference into this Sublease shall be construed as consistent with and complementary to the other provisions of this Sublease, but in the event of any inconsistency, those provisions of this Sublease not incorporated by reference from the Overleases shall control.

4. Services.

a. All systems serving and services furnished to the Subleased Premises and all maintenance, repairs, replacements, restorations, alterations, and other work pertaining to the Subleased Premises, if any, are not to be furnished or made by or otherwise be the obligation of Sublessor. Without limiting the generality of the foregoing, (1) Sublessor shall not be responsible for any failure or interruption (provided that such failure or interruption is not due to Sublessor's gross negligence, malfeasance or breach of the Overleases), for any reason whatsoever, of any of the services supplied at the Subleased Premises or the property of which the Subleased Premises is a part, including heat, ventilation, air-conditioning, electricity, water, elevator, and cleaning, if any, and (2) no failure to furnish, or interruption of, any of such services shall give rise to any (a) abatement, diminution, or reduction of Subtenant's obligations under this Sublease, except to the extent provided above in this Sublease with respect to instances in which Sublessor shall be entitled to an abatement of rent payable under the Overleases, (b) constructive eviction, in whole or in part, or (c) liability on the part of Sublessor. Notwithstanding the foregoing, the parties contemplate that Landlord and Avalon shall, in fact, perform their respective obligations under the Overleases and in the event of any default or failure of such performance by Landlord or Avalon, Sublessor agrees that it will, upon notice from Subtenant, make prompt demand upon Landlord or Avalon, as the case may be, to perform its obligations under the Prime Lease or the Avalon Sublease and, provided that Subtenant specifically agrees to pay all costs and expenses of Sublessor and provides Sublessor with security reasonably satisfactory to Sublessor to pay such costs and expenses, Sublessor will take appropriate legal action to enforce the Prime Lease or the Avalon Sublease, as applicable.

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b. Any obligation of Sublessor contained in this Sublease by the incorporation by reference of provisions of the Prime Lease or the Avalon Sublease may be fully observed or performed by Sublessor's using reasonable efforts, upon request of Subtenant, to cause Landlord or Avalon, as the case may be, to observe and/or perform that obligation, and Sublessor shall not otherwise be required to make any payment (other than to pay the rent due under the Overleases if Subtenant shall have timely paid all the rent then due under this Sublease) or to take any action (other than to perform any of its other obligations under the Overleases that are not also obligations of Subtenant under this Sublease), and shall not otherwise have any liability to Subtenant with respect to such obligations; without limiting the generality of the foregoing, the obligation of Sublessor to use reasonable efforts to cause observance or performance by Landlord or Avalon of their respective obligations under the Overleases shall not be construed as requiring Sublessor to pay any money or incur any cost or liability beyond that for which it is obligated under the Overleases or to institute or prosecute any legal action or proceeding. All costs reasonably incurred by Sublessor at the direction or with the knowledge of Subtenant in seeking to cause Landlord or Avalon to perform their obligations under the Overleases with respect to the Subleased Premises shall be promptly paid directly by Subtenant or reimbursed by Subtenant to Sublessor, as Sublessor may direct. To the extent that any proposed action by the

Subtenant may require the consent of the Landlord or Avalon, Sublessor agrees to use its reasonable best efforts to assist Subtenant in making such request on behalf of the Subtenant, provided that such assistance shall be at Subtenant's sole cost and expense. Notwithstanding anything to the contrary contained herein, provided that Subtenant has exhausted its remedies hereunder and further provided that the Landlord and/or Avalon, continues to be in default of the terms of the Overlease, Subtenant may take such steps as it deems reasonable, including the commencement of legal proceedings against Landlord and/or Avalon, as the case may, provided such steps are not precluded by the terms of the Overleases.

5. Use.

Subtenant shall use and occupy the Subleased Premises only for executive, general and administrative offices and in no other manner and for no other purpose. Subtenant shall maintain and repair the Subleased Premises in the condition required by the Overleases and otherwise perform all other obligations of the tenant or subtenant under the Overleases insofar as they relate to the Subleased Premises. Subtenant shall not do, or permit to be done with respect to the Subleased Premises, anything that would constitute a breach or violation of any term, covenant, or condition of the Overleases or other default under the Overleases on the part of the tenant or subtenant thereunder, whether or not it would be otherwise permitted under this Sublease. During the Term, Subtenant shall have access to the Subleased Premises twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year.

6. Condition of Subleased Premises.

a. Subtenant is leasing and accepts the Subleased Premises "AS IS", reasonable wear and tear, natural deterioration, and casualty damage excepted. Without limiting the generality of the foregoing, Sublessor shall have no obligation to make, supply, or perform any alterations, services, material, fixtures, equipment, or decorations to the Subleased Premises. In entering into this Sublease, Subtenant has relied solely on such investigations, examinations, and inspections as Subtenant has chosen to make; Subtenant acknowledges that Sublessor has

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afforded Subtenant the opportunity for full and complete investigations, examinations, and inspections.

b. Notwithstanding the foregoing, during the term of this Sublease, Subtenant shall have the exclusive right to use the existing furniture, personal property and equipment located in and servicing the Subleased Premises (collectively the "**Furniture**") as set forth on the inventory list on Exhibit "C" annexed hereto and made a part hereof. The Furniture shall be delivered to Subtenant in its "AS IS" condition and state of repair, free of liens and/or other encumbrances on the Commencement Date and without any other representation or warranty by Sublessor. Sublessor shall have no obligation to maintain, repair or replace any of the Furniture. Except as provided below, Sublessor shall retain all right, title and interest in and with respect to the Furniture. On or prior to the Expiration Date, Sublessor shall deliver to Subtenant a bill of sale transferring to Subtenant, for the sum of \$1.00, all of Sublessor's right, title and interest in and with respect to the Furniture in its then "AS IS" condition and without representation or warranty, except the bill of sale transferring the Furniture to Subtenant shall contain Sublessor's representation that Sublessor is then the owner of the Furniture, free of all liens and encumbrances. If ownership of the Furniture shall be transferred to Subtenant as aforesaid, then Subtenant shall remove the Furniture from the Subleased Premises on or prior to the Expiration Date and repair any and all damage to the Subleased Premises, the Premises or the Building caused by such removal.

7. Indemnity.

a. Subtenant shall indemnify and hold harmless Sublessor from and against all losses, costs, damages, and liabilities, including reasonable attorneys' fees, that Sublessor may incur by reason of claims based upon any (1) accidents, damages, or injuries to persons or property occurring in, on, or about the Subleased Premises during the period of this sublease (unless caused by negligence on the part of Sublessor), (2) work done in or to the Subleased Premises (except for any work done in the Subleased Premises by Sublessor), (3) act, omission, or negligence on the part of Subtenant and/or its officers, employees, agents, customers, or invitees, and/or any other person claiming through or under Subtenant, or (4) breach or default on the part of Subtenant under this Sublease.

b. Sublessor shall indemnify and hold harmless Subtenant from and against all losses, costs, damages, and liabilities, including reasonable attorneys' fees, that Subtenant may incur by reason of claims based upon any (1) accidents, damages, or injuries to persons or property occurring in, on, or about the Subleased Premises caused by negligence on the part of Sublessor, (2) work done in or to the Subleased Premises by Sublessor, (3) act, omission, or negligence on the part of Sublessor and/or its officers, employees, agents, customers, or invitees, and/or any other person claiming through or under Sublessor, or (4) breach or default on the part of Sublessor under the Prime Lease or this Sublease.

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8. Insurance/Releases.

a. Subtenant shall maintain in effect for and throughout the term of this Sublease, and for and throughout any other period of occupancy of the Subleased Premises by Subtenant, all insurance coverage that is required to be maintained by Sublessor pursuant to Article 24 of the Prime Lease in respect of the Subleased Premises. Subtenant shall deliver to Sublessor a fully paid-for policy or certificate prior to the Commencement Date which policy or certificate shall name Sublessor, Landlord and Avalon as their interests may appear, additional insured parties thereunder. Subtenant shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Subtenant shall deliver to Sublessor such renewal policy or certificate at least thirty (30) days before the expiration of any existing policy. All such policies shall be issued by companies of recognized responsibility licensed to do business in the State of New York and approved by Sublessor, and all such policies shall contain a provision whereby the same cannot be canceled or modified unless Sublessor is given at least ten (10) days' prior written notice of such cancellation or modification. Subtenant shall cause Sublessor to be named as an additional insured under all applicable insurance policies.

b. Prior to the Commencement Date, and during the Term hereof, upon request of Sublessor from time to time, Subtenant shall furnish to Sublessor reasonably satisfactory evidence of the effectiveness of the insurance coverage required to be maintained under this Sublease.

c. All insurance policies maintained by Subtenant shall provide that they cannot be canceled, materially amended, or not renewed as to Sublessor except upon not fewer than thirty (30) days' prior written notice by the insurer to Sublessor.

d. If for any reason Subtenant shall not be able to obtain or maintain in effect any of the insurance required under the Prime Lease and Sublessor shall maintain such insurance, then Subtenant shall pay directly or reimburse Sublessor for Subtenant's share of all costs incurred in maintaining such insurance, as directed by Sublessor, provided that Subtenant shall have been named as an additional insured under the applicable insurance policies.

e. Subtenant hereby releases Landlord and anyone claiming through or under Landlord by way of subrogation or otherwise to the extent that Sublessor has released Landlord and/or Landlord has been relieved of liability or responsibility pursuant to the provisions of the Prime Lease; and in that regard, Subtenant shall cause its insurance policies to include any clauses or endorsements in favor of Landlord that Sublessor is required to provide pursuant to the provisions of the Prime Lease.

9. Consents.

a. In each instance that Sublessor's consent or approval shall be required under this Sublease, whether or not to grant or withhold that consent or approval shall be within Sublessor's sole discretion unless otherwise specifically provided.

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b. Sublessor's refusal to consent to or approve any matter shall be deemed reasonable, without limitation, if consent or approval with regard to that matter shall not have been obtained from Landlord but is required under the Prime Lease, provided that Sublessor shall have requested the required consent or approval from Landlord within ten (10) business days after the consent or approval shall have been requested by Subtenant.

c. If Subtenant shall seek the approval by or consent of Sublessor and Sublessor, acting in good faith, shall fail or refuse to give such consent or approval, Subtenant shall not be entitled to any damages for any withholding or delay of such approval or consent by Sublessor; provided Sublessor acted in good faith, Subtenant's sole remedy for that failure or refusal shall be an action for injunction or specific performance, and those remedies shall be available only in those instances with respect to which Sublessor shall have expressly agreed in writing not to unreasonably withhold or delay its consent.

10. Assignment and Subletting.

a. Subtenant shall not, by operation of law or otherwise, assign, sell, mortgage, pledge or in any manner transfer this Sublease or any interest therein, or grant any sublet, concession or license or otherwise permit occupancy of all or any part of the Subleased Premises by any person, without the prior written consent of Sublessor, which consent shall not be unreasonably withheld or delayed, and the prior written consents of the Landlord and Avalon, as required under the Overleases.

b. If Sublessor shall give its consent to any sublease or if Subtenant shall enter into any other sublease permitted hereunder, Subtenant shall in consideration therefor, pay to Sublessor, as additional rent, an amount equal to fifty (50%) percent of any rents, additional charges or other consideration payable under the sublease on a per square foot basis to Subtenant by the subtenant which is in excess of the Fixed Rent and additional rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Subtenant hereunder) pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Subtenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Subtenant's federal income tax returns), less all expenses reasonably and actually incurred by Subtenant on account of brokerage commissions, advertising costs, the direct cost of negotiating and preparing the sublease and the cost of making improvements to the premises so sublet in connection with such sublease, provided that Subtenant shall submit to Sublessor a receipt evidencing the payment of such expenses (or other proof of payment as Sublessor shall require). The sums payable under this subsection (b) shall be paid to Sublessor as and when payable by the subtenant to Subtenant.

11. Security.

a. Simultaneously with the execution of this Sublease, Subtenant shall also deposit with Sublessor a security deposit (the "**Security Deposit**") in the amount of \$181,770.00 for the faithful performance and observance by Subtenant of the terms and conditions of this Sublease in the form of a clean, automatically self renewing, non-expiring, and irrevocable letter of credit (the "**Letter of Credit**") issued to Sublessor by a federally-insured lending institution reasonably acceptable to Sublessor, which is a member of the New York Clearinghouse, The Letter of

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Credit shall unequivocally state on its face that it shall be effective and in place for a term of no less than one (1) year and shall automatically self-renew through and including thirty (30) days following the expiration of the Term. In the event that for any reason whatsoever the Letter of Credit shall expire or shall fail to be renewed or replaced within ninety (90) days prior to its then expiration or renewal date, then Sublessor shall have the unconditional right to draw upon the existing Letter of Credit and to hold such sums as security for Subtenant's performance under this Sublease. The Letter of Credit must state on its face that it is freely transferrable without payment by Sublessor of any fee or consideration therefor.

b. Upon the expiration of the Term, and provided Subtenant is not in default hereunder, Sublessor shall return or release the Security Deposit to Subtenant, less such portion thereof as Sublessor shall have appropriated to satisfy any default by Subtenant hereunder. In the event of any default by Subtenant hereunder during the Term, Sublessor shall have the right, but shall not be obligated, to use, apply or retain all or any portion of the Security Deposit for (i) the payment of any Fixed Rent or Additional Rent or any other sum as to which Subtenant is in default, or (ii) the payment of any amount which Sublessor may spend or become obligated to spend to repair physical damage to the Premises pursuant to the Lease, or (iii) the payment of any amount Sublessor may spend or become obligated to spend, or for the compensation of Sublessor for any losses incurred, by reason of Subtenant's default. If any portion of the Security Deposit is so used or applied, within five (5) business days after written notice to Subtenant of such use or application, Subtenant shall deliver a replacement Letter of Credit in the face amount of the amount drawn down upon so that the Security Deposit is restored to its original amount, and Subtenant's failure to do so shall constitute an event of default under this Sublease.

c. Notwithstanding anything to the contrary contained in this Sublease, and provided that (i) this Lease is in full force and effect and there shall not have been an Event of Default by Subtenant under this Sublease and (ii) Subtenant shall have made all payments of Fixed Rent and Additional Rent payable under this Sublease in a timely manner, and (iii) the security deposit that Sublessor is required to maintain with the Landlord shall have been reduced below the security deposit required to be maintained by the Sublessor as of the date hereof, then Subtenant may provide to Sublessor (and Sublessor shall promptly thereafter execute and deliver to Subtenant, if necessary) such instruments and authorizations, as may be reasonably required by the issuer of the Letter of Credit to reduce the face amount thereof by a proportion equal to one-half of the proportion by which the security deposit required to be maintained by the Sublessor shall have been reduced, effective as of the beginning of the thirteenth month after the Possession Date. Sublessor hereby covenants and agrees that, in the event that the security deposit it maintains with the Landlord is reduced after the date hereof, it shall promptly notify the Subtenant of such reduction, which notice shall include the proportion by which its security deposit has been reduced.

12. Default by Subtenant.

In the event Subtenant defaults under any of the terms and conditions contained in this Sublease, Sublessor shall be entitled to exercise all of its rights and remedies against Subtenant pursuant to Articles 19 and 20 of the Prime Lease and under the Avalon Sublease.

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13. No Waiver.

The failure of either party to insist upon the strict performance or observance of any obligation of Subtenant under this Sublease or to exercise any right or other remedy under or with respect to this Sublease shall not be construed as a waiver or relinquishment for the future of that obligation, right or other remedy of such party. Sublessor's receipt and acceptance of any rent, or acceptance of performance by Subtenant of any other obligation, with knowledge of Subtenant's breach or default under this Sublease, shall not be construed as a waiver of that breach or default. No waiver by either party of any provision of this Sublease shall be deemed to have been made unless specifically expressed in a writing signed by Sublessor.

14. Brokerage.

Sublessor and Subtenant each represent to the other that each has not dealt with any broker in connection with this Sublease other than Newmark Knight Frank and Studley, Inc. (collectively the "**Broker**") nor has it any knowledge of any broker other than the Broker who has been or has claimed to have been involved or instrumental in any way in bringing about this Sublease. Sublessor agrees that it shall be responsible for the payment of any fees or commissions due to the Broker pursuant to the terms of a separate agreement. Sublessor and Subtenant shall each indemnify, defend, and hold harmless the other from and against all losses, damages, costs, and liabilities (including, without limitation, reasonable attorneys' fees) arising in connection with such claims made by any broker, other than the Broker, or other person for a brokerage commission, finder's fee, or similar compensation, by reason of or in connection with this Sublease, or out of any breach of the foregoing representation and warranty by the respective indemnitor.

15. Notices.

All notices, requests, approvals, waivers, consents, deliveries, or other communications ("**Notices**") that either party is required or desires to send to the other in connection with this Sublease shall be in writing, duly executed by the party sending the Notice, and sent by registered, or certified mail, return receipt requested, with postage prepaid, or by nationally recognized overnight carrier, addressed as follows: (a) if to Sublessor, (1) prior to the Commencement Date, to Sublessor's address set forth at the beginning of this Sublease or to such other address as Sublessor shall then have designated for that purpose by notice to Subtenant and a copy shall be sent in the same manner to Platzer, Swergold, Karlin, Levine, Goldberg & Jaslow, LLP, 1065 Avenue of the Americas, New York, New York 10018, Attention: Mark Skolnick, Esq. and (2) after the Commencement Date, to its address at the Subleased Premises and (b) if to Subtenant, to Subtenant's address set forth at the beginning of this Sublease or to such other address as Subtenant shall then have designated for that purpose by notice to Sublessor, and a copy shall be sent in the same manner to Michael C. Lesser, Esq, 60 Broad Street, 30th Floor, New York, New York 10004. Except in any instance where it may be otherwise specifically provided in this Sublease, Notices shall be deemed given or served on the date delivery of the Notice is tendered by the postal service or overnight carrier.

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16. Complete Agreement.

There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Sublease which are not fully expressed in this Sublease.

17. End of Term.

Upon the Expiration Date, Subtenant shall vacate the Subleased Premises and remove all of its property and, if applicable, the Furniture therefrom. If Subtenant shall fail to surrender possession of the Subleased Premises as aforesaid, then the Monthly Fixed Rent during any such holdover period shall be 200% of the rent payable by Subtenant during the final month of the term of this Sublease. For purposes of this clause, Monthly Fixed Rent shall include all Additional Rent, including, without limitation, any amounts payable under applicable escalation clauses.

18. No Personal Liability.

Except as otherwise provided in this Sublease, neither Sublessor, Subtenant or their respective partners and principals, disclosed or undisclosed, shall have any personal liability under this Sublease.

19. Miscellaneous.

a. **Governing Law.** This Sublease shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without regard to conflict of laws principles.

b. **Successors and Assigns.** Subject to the restrictions on assignment and subletting in this Sublease and in the Lease, this Sublease and the covenants and agreements herein contained and incorporated herein by reference shall bind and inure to the benefit of the respective successors and assigns of the parties hereto.

c. **Captions.** The captions contained in this Sublease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Sublease nor the intent of any provision hereof.

d. **Counterparts.** This Sublease may be executed in one or more counterparts, each of which shall be an original and all of which taken together shall constitute but one and the same instrument.

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20. Landlord's Consent.

Notwithstanding anything contained in this Sublease to the contrary, the term of this Sublease shall not commence unless and until each of Landlord and Avalon shall have given its written consent (the "**Consent**") to this Sublease in accordance with the provisions of the Prime Lease and the Avalon Sublease. The Sublessor shall promptly request and use reasonable commercial efforts to obtain such Consent and a "Non-Disturbance and Attornment Agreement from the Landlord and Avalon.

IN WITNESS WHEREOF, Sublessor and Subtenant have executed and delivered this Sublease as of the date first above written.

Sublessor:

WJB CAPITAL GROUP, INC.

By: /s/ Craig A. Rothfeld

Name: Craig A. Rothfeld
Title: Managing Partner & CEO
WJB Capital Group, Inc.

Subtenant:

SHUTTERSTOCK IMAGES LLC.

By: /s/ Thilo Semmelbauer

Name: Thilo Semmelbauer
Title: President

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EXHIBIT "A"

DESCRIPTION OF SUBLEASED PREMISES

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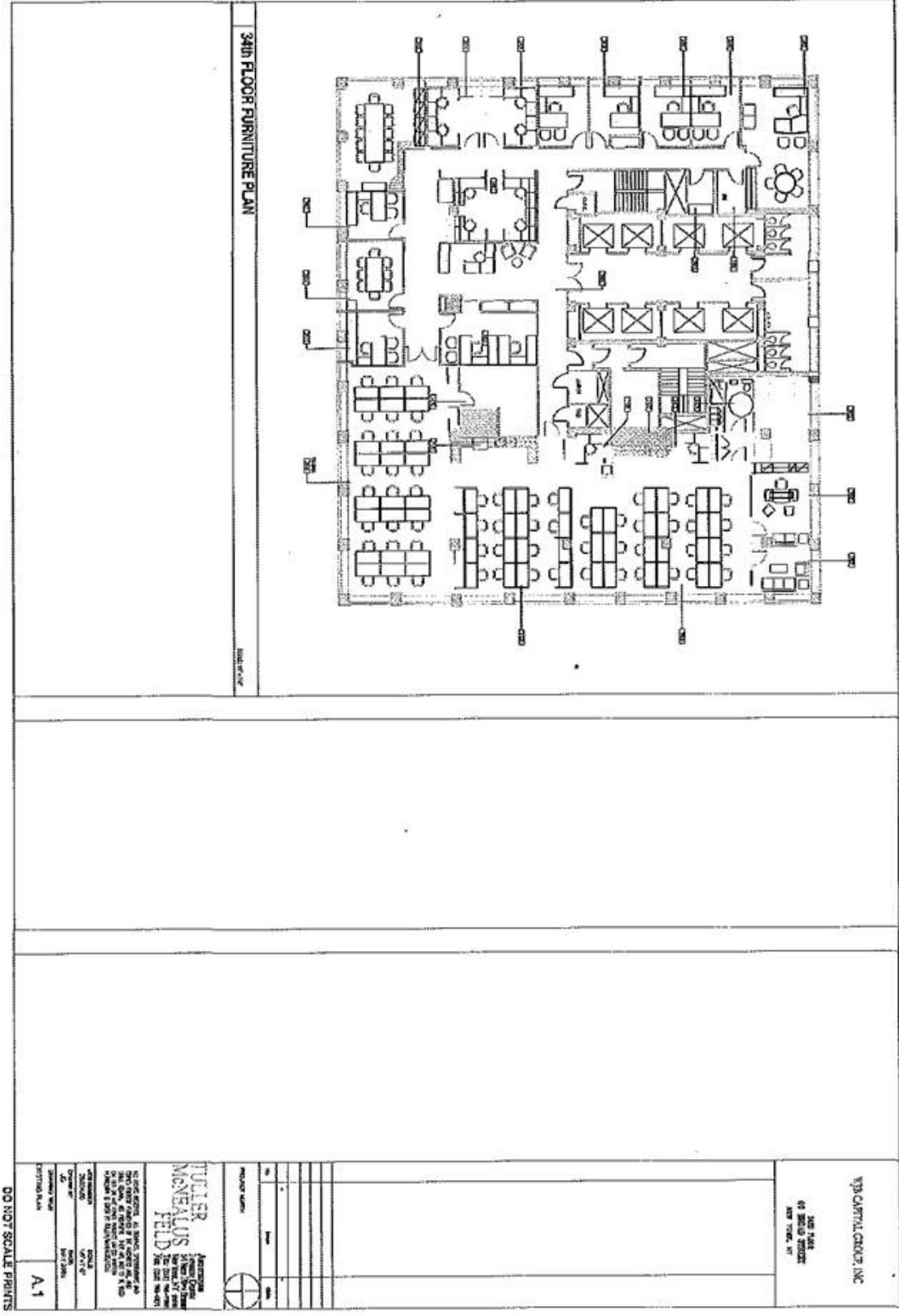


EXHIBIT "B-1"

PRIME LEASE

Redacted

LEASE AGREEMENT

BUILDING: 60 BROAD STREET, NEW YORK, NEW YORK

LANDLORD: WELLS 60 BROAD STREET LLC

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LEASE AGREEMENT

This Lease Agreement ("Lease") is entered into as of the 15th day of June, 2005 by and between WELLS 60 BROAD STREET LLC ("Landlord" or "Owner"), c/o CRG Management, LLC, 1330 Avenue of the Americas, 23rd Floor, New York, New York 10019 and W.J. BONFANTI, INC. ("Tenant"), a New York corporation, with offices at 44 Wall Street, 12th Floor, New York, NY 10005.

WITNESSETH:

1. Definitions and Basic Provisions. Certain definitions and basic provisions of this Lease are as follows:

- 1.1 Lease Date: June 15, 2005
- 1.2 Tenant: W.J. Bonfanti, Inc.
- 1.3 Tenant's Address: 60 Broad Street, 34th Floor
New York, NY 10004-2306
- Contact: Craig A. Rothfeld
- Telephone:
- 1.4 Landlord: Wells 60 Broad Street LLC
- 1.5 Landlord's Address: c/o CRG Management, LLC
1330 Avenue of the Americas
23rd Floor
New York, New York 10019
Attn.: Michael Skurnick

1.6 Premises: A portion of the thirty-fourth (34th) floor (the "Premises" or "Demised Premises") in the office building located at 60 Broad Street, New York, New York (the "Building"). The Building and the land upon which it is situated (the "Land") are herein sometimes collectively called the "Project".

1.7 Lease Term: The period commencing on July 1, 2005, subject to adjustment provided in the Lease (the "Commencement Date"), and expiring on June 30, 2015 ("Expiration Date").

- 1.8 Base Rent:

July 1, 2005 through	\$	218,316.00 per annum
June 30, 2010	\$	18,193.00 per month
July 1, 2010 through	\$	233,910.00 per annum
June 30, 2015	\$	19,492.50 per month

1.9 Security Deposit: \$218,316.00, in the form of cash or a letter of credit pursuant to Article 59 hereinafter.

- 1.10 Tenant's Percentage: 0.80% (0.008)
- 1.11 Permitted Use: Subject to the terms and conditions of this Lease, general and administrative offices for a stock brokerage firm.

1.12 Lease Year: If the Commencement Date is the first day of a month, the lease Year shall be the period of twelve (12) months commencing on the Commencement Date and each successive twelve (12) month period commencing on the anniversary of the Commencement Date. If the Commencement Date is a date other than the first day of a month, the Lease Year shall be the period of twelve (12) months commencing on first day of the first full month following the Commencement Date and each successive twelve (12) month period commencing on the anniversary of said date, however, the first Lease Year of the Lease Term shall also include the remaining days of the month in which the Commencement Date occurs. During any Lease Year within the Lease Term that is less than twelve (12) full months, any amount to be paid for such period shall be prorated, based on the actual number of months and the actual number of days of any partial month assuming each month to have thirty (30) days.

1.13 Anything in this Lease to the contrary notwithstanding, provided there is no Event of Default (hereinafter defined) under the terms, covenants and conditions of this Lease, Tenant shall have the right to use and occupy the Demised Premises free of Base Rent (but Tenant shall pay Additional Rent [hereinafter defined] and any direct charges during the aforesaid free Base Rent period), for a period beginning with the Commencement Date through and including January 15, 2006, after which period the Base Rent payments shall commence (the "Rent Commencement Date") in accordance with the terms of this Lease.

1.14 Supplementing Sections 1.7, 1.8, 1.13 and 2.2 hereinafter, in the event Landlord cannot deliver possession of the Premises to Tenant on or before the Commencement Date (except if caused by the acts or delays of Tenant), the dates set forth herein with respect to the Commencement Date, Rent Commencement Date and the Expiration Date shall be pushed back one (1) day for each day after the Commencement Date for which possession is not delivered to Tenant.

1.15 Intentionally Deleted

2. Lease Grant.

2.1 In consideration of the Rent (as hereinafter defined) to be paid and the other covenants and agreements to be performed by Tenant, Landlord does hereby lease, demise and let unto Tenant the Premises, shown on the floor plan attached hereto as Exhibit "A" and incorporated herein by reference, commencing on the Commencement Date and ending on the Expiration Date, unless sooner terminated as herein provided. Exhibit "A" sets forth the general layout of the Premises, but shall not be deemed a warranty, representation or agreement on the part of Landlord, that all or any part of the Premises is, will be, or will continue to be, configured as indicated thereon.

2.2 If this Lease is executed before the Premises become vacant, or otherwise available for occupancy, or if any tenant or occupant of the Premises holds over, and Landlord cannot acquire legal possession of the Premises prior to the Commencement Date, Landlord shall not be in default hereunder, and Tenant shall accept possession of the Premises when Landlord is able to tender the same, and such date shall be deemed to be the date Tenant shall have accepted the same as suitable for the purposes herein intended and to have acknowledged that the same comply with Landlord's obligations. If Landlord does not deliver possession of the Premises to Tenant on or before August 30, 2005 (the "Outside Date"), then after Landlord's receipt of written notice from Tenant to Landlord informing Landlord of such failure (the "Outside Date Notice"), Tenant shall receive one (1) day of free Base Rent for each day after the Outside Date that Landlord

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shall have failed to so deliver the Premises as required to Tenant, provided that (i) Tenant has complied with the terms and provisions of this Lease and (ii) Landlord's failure to deliver the Premises by the Outside Date is not due to a Tenant delay or force majeure (in which case such Outside Date shall be extended one [1] day for each day of such Tenant delay or force majeure).

2.3 In the event Section 1.7 herein does not set forth a date certain as the Commencement Date, then within ten (10) days after request by Landlord, Tenant shall give Landlord a document confirming the Commencement Date and, to the extent applicable, certifying that Tenant has accepted delivery of the Premises and that the condition of the Premises complies with Landlord's obligations hereunder. Such document shall be in substantially the form attached hereto as Exhibit "B" and such signed document shall be incorporated by reference into this Lease. The failure of Tenant to timely execute said document shall not affect the Commencement Date and Tenant shall, in such case, hereby appoint Landlord as Tenant's agent and attorney-in-fact to execute for the purpose of executing such document.

2.4 Notwithstanding anything to the contrary contained in this Lease, until Tenant has delivered to Landlord a certificate(s) of insurance evidencing strict compliance with all of the insurance procurement requirements required under Section 24 herein. Landlord shall have no obligation to deliver keys to the Premises and Tenant shall not be entitled to access to the Premises, commence any work to the Premises or otherwise occupy the Premises for any reason, regardless of whether or not the Lease Term and/or Tenant's obligation to pay Rent (hereinafter defined) has commenced.

2.5 No vaults, vault space or area, whether or not enclosed or covered, not within the property line of the Building is leased hereunder, notwithstanding anything to the contrary contained in or indicated on any sketch, blueprint or floor plan, or anything contained elsewhere in this Lease. Landlord makes no representation as to the location of the property line of the Building. All vaults and vault space and all such areas not within the property line of the Building, if any, which Tenant may be permitted to use and/or occupy, is to be used and/or occupied under a revocable license, and if any such license be revoked, or if the amount of such space or area be diminished or required by any federal, state or municipal authority or public utility, Landlord shall not be subject to liability nor shall Tenant be entitled to any compensation or diminution or abatement of Rent, nor shall such relocation, diminution or requisition be deemed constructive or actual eviction. Any tax, fee or charge of municipal authorities for such vault or area shall be paid by Tenant.

2.6 Intentionally Deleted.

2.7 No easement for light, air or view is granted, given or implied herein. Any diminution or obstruction of light, air or view by any structure which may be erected on lands adjacent to the Project shall not affect this Lease or impose any liability on Landlord. Tenant shall not acquire any right or easement for the use of any door or passageway in any portion of the Building or the Project, except the easement of necessity for ingress and egress, if any, in the doors and passageway(s) directly connecting with the Premises.

2.8 Tenant acknowledges that it has inspected and examined the Premises and is thoroughly familiar and satisfied with the condition and value thereof; that no representations or warranties have been made to Tenant and that Landlord is unwilling to make any representations and has held out no inducements to Tenant, except as specifically set forth herein. Tenant accepts the Premises in "as is" condition, and Landlord shall not be required to perform any work at the Building or in the Premises in order to effectuate delivery of possession of the Premises to Tenant, except that Landlord shall perform Landlord's Work (as defined in Exhibit "E"), if any.

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3. Rent / Security Deposit.

3.1 Tenant agrees to pay to Landlord, in advance on or before the first day of each month, the Base Rent, subject to any adjustment as provided in this Lease, without deduction or set off, for each month of the entire Lease Term. The first monthly installment of Base Rent (\$18,193.00) and the Security Deposit required under Section 1.9 (\$218,316.00) shall be due and payable by Tenant to Landlord upon execution of this Lease and the monthly

installments of Base Rent shall be due and payable without demand on or before the first day of each calendar month thereafter during the Lease Term. Base Rent for any period of less than a full month shall be prorated, based on one-thirtieth (1/30) of the current Base Rent for each day of the partial month this Lease is in effect. All sums other than Base Rent payable by Tenant hereunder shall constitute "Additional Rent" (as further defined in Section 4(A)(i)). Base Rent and Additional Rent shall be collectively referred to in this Lease as "Rent".

3.2 Notwithstanding anything to the contrary contained in this Lease, except for the payments made by Tenant upon execution of this Lease, as set forth above, until further notice, all Rent and other payments due pursuant to Tenant's occupancy of the Premises, whether pursuant to this Lease or otherwise, are to be paid by check, payable to "Wells 60 Broad Street LLC"; and either (i) sent by mail to: Wells 60 Broad Street LLC, c/o CRG Management, LLC, 1330 Avenue of the Americas, 23rd Floor, New York, New York 10019, Attention: Accounts Receivable Clerk or (ii) by wire transfer to: HSBC Bank, 452 Fifth Avenue, New York, New York 10018, ABA# 02100108, Account: Wells 60 Broad Street LLC, Account #: 610-877968. Failure to make payments in accordance with the terms herein may result in the inability to credit Tenant's account in a timely manner.

3.3 If any installment of Rent (or any portion thereof) owed by Tenant to Landlord under this Lease is not received within five (5) days after the due date thereof, without implying Landlord's consent to such late payment, Tenant, to the extent permitted by law, shall pay, in addition to said installment of Rent, a late payment charge equal to two percent (2%) per month of such installment of the Rent. Said late payment charge shall constitute liquidated damages and shall be for the purpose of reimbursing Landlord for additional costs and expenses which Landlord expects to incur in connection with the handling and processing of late installment payments of Rent owed by Tenant to Landlord hereunder. If there is such a late payment by Tenant, the damages resulting to Landlord will be difficult to ascertain precisely, and the foregoing late charge constitutes a reasonable and good faith estimate by the parties of the extent of such damages and does not constitute interest. Notwithstanding the foregoing, such late charges shall not apply to any sums that may have been advanced by Landlord to or for the benefit of Tenant pursuant to this Lease.

3.4 The Security Deposit, if any, shall be held by Landlord as security for the performance by Tenant of Tenant's covenants and obligations under this Lease. Such Security Deposit shall not be considered an advance payment of Rent or a measure of Landlord's damages in a default by Tenant. Upon any Event of Default (as hereinafter defined) by Tenant, Landlord may (but shall not be obligated to), without prejudice to any other remedy and without any further notice to Tenant, use the Security Deposit to the extent necessary to fund any arrearage of Rent and any other damage, injury, expense or liability caused to Landlord by such Event of Default. Following such application of the Security Deposit, Tenant shall pay to Landlord, within five (5) days of Landlord's written demand, the amount so applied to restore the Security Deposit to its original amount (failure to restore such Security Deposit shall be a further Event of Default). If there is not then an Event of Default, any remaining balance of the Security Deposit shall be returned by Landlord to Tenant upon termination of this Lease. If Landlord transfers its interest in the Premises during the Lease Term, Landlord may assign the Security Deposit to the transferee and, provided the transferee acknowledges receipt of same, thereafter shall have no further liability for the return of the Security Deposit. If the Security Deposit is in the form of cash, the Security Deposit shall accrue interest, less a one percent (1%) annual administrative fee payable to Landlord.

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3.5 All Rent due hereunder that is not received following the expiration of any notice and cure period required under this Lease, or as otherwise set forth in this Lease, shall bear interest from the due date until paid in full at a rate equal to the lesser of: (a) eighteen percent (18%) per annum or (b) the maximum legal rate allowable by law (the "Default Rate"). If more than the maximum legal rate of interest should ever be collected with regard to any sum due hereunder, said excess amount shall be credited against future payment(s) of Rent due and accruing thereafter. If no such further Rent accrues hereunder, said excess sums shall be promptly refunded by Landlord to Tenant upon demand by Tenant.

3.6 No payment by Tenant or receipt by Landlord of a lesser amount than the correct Rent shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction. Landlord may accept such check of payment without prejudice to Landlord's right to recover the balance or to pursue any other remedy. If any check delivered to Landlord by Tenant in payment of Rent is not honored by the financial institution upon which such check was drawn and is returned to Landlord for any reason whatsoever, Landlord may impose, as Additional Rent, a returned check service charge of \$75.00 each time a check is not honored and returned to Landlord. Such returned check service charge shall be in addition to and not in lieu of any late payment charge assessed pursuant the Section 3.3 above. If any two (2) checks delivered to Landlord by Tenant during a Lease Year in payment of Rent are not honored by the financial institution upon which such checks were drawn are returned to Landlord for any reason whatsoever, Landlord may require, upon written notice to Tenant, that any and all subsequent payments of Rent be made by either cash, money order or cashier's check for the following twelve (12) month period of the Lease Term.

3.7 Any late charge and/or interest assessed pursuant to Section 3.3 and Section 3.5, respectively, if not previously paid, shall be added to and become part of the next succeeding payment of Rent to be made hereunder and shall be deemed to constitute Additional Rent.

3.8 If Rent or any portion thereof shall be or become uncollectible by virtue of any law, governmental order of regulation, or direction of any public officer or body, Tenant shall enter into such agreement or agreements and take such other action (without additional expense to Tenant) as Landlord may request, as may be legally permissible, to permit Landlord to collect the maximum Rent from time to time during the continuance of such legal rent restriction as may be legally permissible, but not in excess of the amounts of Rent payable under this Lease. Upon the termination of such legal rent restriction, (a) the Base Rent and Additional Rent, after such termination, shall become payable under this Lease in the amounts set forth in this Lease for the period following such termination; and (b) Tenant shall pay to Landlord, if legally permissible, an amount equal to (i) the Rent which would have been paid pursuant to this Lease, but for such rent restriction, less (ii) the Rent paid by Tenant to Landlord during the period that such rent restriction was in effect.

4. Additional Rent.

A. The terms defined below shall for the purposes of this Lease have the meanings herein specified:

(i) "Additional Rent": All payments payable under this Lease (however denominated) by the Tenant to the Landlord other than Base Rent (including, but not limited to, amounts due under this Section 4 and Section 52 of this Lease). The failure to pay any Additional Rent shall give rise to the same right and remedies reserved to the Landlord under this Lease, at law or in equity as if such nonpayment were of Base Rent reserved hereunder.

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(ii) "Taxes": All real estate taxes, sewer rents, water frontage charges, and assessments, special or otherwise (including but not limited to any improvement district charges or business improvement district fees), payable to the City of New York or any other taxing authority with respect to the Project, and all taxes payable with respect to the rentals payable hereunder other than general income and gross receipts taxes (except that general income and

gross receipts taxes shall be included if covered by the provisions of the following sentence). Taxes shall also include any taxes, charges or assessments payable to any taxing authority in whole or in part in lieu of the present method of real estate taxation, provided such substitute taxes, charges and assessments are computed as if the Building were the sole property of the Landlord subject to said substitute tax, charge or assessment. With respect to any Comparison Year (hereinafter defined), all expenses, including reasonable legal fees, experts' and other witnesses' fees, incurred in contesting the validity or amount of any Taxes or in obtaining a refund of Taxes or in attempting to prevent an increase in Taxes, may be considered as part of the Taxes for such Tax Year. Tenant shall not have the right to bring tax certiorari proceedings or other proceedings contesting the amount or validity of any Taxes.

- (iii) "Base Tax Year": The fiscal year commencing July 1, 2005 and ending June 30, 2006.
- (iv) "Base Taxes": The Taxes actually paid with respect to the Base Tax Year.
- (v) "Tax Year": Each twelve (12) month period commencing July 1st during the Lease Term.
- (vi) "Tenant's Percentage": As defined in Section 1.10.
- (vii) "Base Operating Year": The calendar year commencing January 1, 2005 and ending December 31, 2005.
- (viii) "Operating Year": Each twelve month period commencing January 1st during the term of this Lease.
- (ix) "Base Operating Costs": The Operating Costs actually paid with respect to the Base Operating Year.
- (x) - (xii) Intentionally deleted.

(xiii) "Comparison Year" shall mean, with respect to Taxes, any Tax Year subsequent to the Base Tax Year and, with respect to Operating Costs, any Operating Year subsequent to the Base Operating Year, for any part or all of which there is Additional Rent payable in addition to the Base Rent provided for hereunder.

(xiv) The term "Landlord's Statement" shall mean an instrument or instruments prepared by Landlord comparing (a) Taxes for the Base Tax Year with Taxes for the Comparison Year in question and (b) Operating Costs for the Base Operating Year with Operating Costs for the Comparison Year in question, and setting forth the Additional Rent due from Tenant for such Comparison Year pursuant to the provisions of this Section 4.

B. (i) If Taxes payable for any Comparison Year shall exceed the Base Taxes, Tenant shall pay as Additional Rent for such Comparison Year, an amount equal to Tenant's Percentage of the amount of such excess. If the amount of Taxes payable during the Base Tax Year is reduced by final determination of legal proceedings, settlement or otherwise, the reduced amount of such Base Taxes shall

thereafter be used to determine the amount of the increase in the Additional Rent pursuant to this Section 4. In addition, the Additional Rent theretofore paid or payable under this Section 4 shall be recomputed on the basis of such reduction and the Tenant shall pay to Landlord as Additional Rent within twenty (20) days after being billed therefore, any deficiency between the amount of the increase in the Additional Rent theretofore computed and the amount thereof due as a result of such recomputation.

(ii) Provided that Tenant is not then in monetary default or material nonmonetary default of any terms, conditions or covenants of this Lease, that Tenant is not in stipulation of settlement with Landlord, that Tenant is not operating under a rental reduction from Landlord and further provided that Tenant has paid its Tenant's Percentage of the increase in Taxes for which a refund has been awarded to Landlord, if Landlord shall receive a refund of Taxes for any Comparison Year with respect to which Tenant paid Additional Rent by reason of an increase in Taxes, Landlord shall set forth in the first Landlord's Statement thereafter submitted to Tenant the amount of such refund and the amount of the legal fees and other expenses incurred in connection with the collection of the refund, Tenant shall receive a credit against the installment or installments of Additional Rent allocable to Taxes next falling due equal to Tenant's Percentage of the amount by which the refund exceeds said fees and expenses, but in no event shall the credit exceed the amount of Additional Rent paid by Tenant in respect to Taxes for said Comparison Year.

(iii) If Operating Costs payable for any Comparison Year shall exceed the Base Operating Costs, Tenant shall pay as Additional Rent for such Comparison Year, an amount equal to Tenant's Percentage of the amount of such excess.

(i) The term "Operating Costs", as used herein, shall mean all costs paid by Landlord or its representatives in connection with the ownership, management, maintenance, operation, insuring, repairing, redecorating, cleaning and securing of the Building, as determined by Landlord to be necessary or appropriate, including, without limitation, all of the following costs:

(a) All wages, salaries, commissions and related expenses of all on-site and off-site agents, employees and contractors engaged in the management, operation, maintenance, repair, redecoration, cleaning, and security of the Building, plus the costs of all management, maintenance, and security offices in the Building.

(b) All supplies and materials used and labor charges incurred in the management, operation, maintenance, repair, redecoration, cleaning and security of the Building.

(c) All equipment purchased or leased for the performance of Landlord's obligations hereunder.

(d) All management, maintenance, cleaning, security and other service agreements for the Building and the equipment therein, including, without limitation, alarm service, security service and window cleaning.

(e) All accounting, legal and engineering fees and expenses, including, without limitation, the cost of audits by certified public accountants.

(f) All insurance premiums, including, without limitation, fire, casualty, extended coverage, public liability, rent abatement, boiler, and worker's compensation insurance applicable to the Building, Landlord's employees and Landlord's personal property used in connection therewith.

(g) All redecorating (including painting, wallpapering and floor covering), maintaining and repairing of the Building, structural or non-structural, including, without limitation, the mechanical, electrical, heating, ventilating and air conditioning equipment of the Building, landscape maintenance and the replacement of trees and shrubbery.

(h) All removing of trash, rubbish, garbage and other refuse from the Building (other than that which is the responsibility of Tenant), as well as removal of ice and snow from the sidewalks and driveways.

(i) All amortization of capital improvements, determined in a manner consistent with generally accepted accounting principles, consistently applied, (including accounting, legal, architectural and engineering fees Incurred in connection therewith) made to the Building subsequent to the Commencement Date which (i) will improve operating efficiencies or the quality of the Building; (ii) may be required by law; or (iii) improve or enhance the health of persons in the Building or safety of the Building.

(j) All charges for electricity, gas, water, sewer, and other utilities furnished to or services or privileges made available to users of the Building (excluding any utility charges Landlord may incur for vacant stores).

(k) All ad valorem property taxes covering all real and personal property constituting a part of the Building, including, but not limited to, all general and special assessments of every kind.

(l) All other expenses of maintaining, operating, insuring, securing, managing, cleaning, redecorating or repairing the Building, whether or not any of the foregoing shall be designated "real property tax," "excise tax," "business tax" or designated in any other manner, except the Rent Tax, if any.

(ii) Notwithstanding any of the foregoing to the contrary, Operating Costs shall not include;

(a) Costs which are directly reimbursable to Landlord by other tenants.

(b) Payments on mortgages or ground leases owed by Landlord.

(c) Payments of claims, damages or expenses resulting from any willful misconduct of Landlord or any of its authorized representatives.

(d) Payment of any return on equity to any owner of the Building.

(e) Costs reimbursed by proceeds of insurance.

(f) Costs of the Initial construction of the Building or any depreciation thereof.

(g) Salaries for individuals beyond the level of building manager.

D. (i) At any time during or after any Comparison Year, Landlord may render to Tenant a Landlord's Statement(s) showing separately or together a comparison of the Taxes payable for the Comparison Year with the Base Taxes and the Operating Costs for the Comparison Year with the Base Operating Costs and the amount payable as Additional Rent resulting from each of such comparisons. Landlord's failure to render a Landlord's Statement during or with respect to any Comparison Year shall not

eliminate or reduce Tenant's obligation to pay Additional Rent pursuant to this Section 4 for such Comparison Year, nor prejudice Landlord's right to render a Landlord's Statement during or with respect to any subsequent Comparison Year. If Landlord fails to provide a Landlord's Statement within two (2) years after the end of any Comparison Year, Landlord shall be foreclosed from billing Tenant for any Additional Rent relating thereto thereafter, however this should not preclude Landlord from giving Tenant a revised Landlord Statement at any time subsequent to the date that Landlord has already provided a Landlord Statement to Tenant.

(ii) With respect to a Landlord's Statement showing Additional Rent due as a result of increased Taxes in a Comparison Year over Base Taxes or increased Operating Costs in a Comparison Year over Base Operating Costs, Tenant shall pay to Landlord the full amount of such increase within twenty (20) days after the rendition of such Landlord's Statement.

(iii) During any Lease Year within the Lease Term that is less than twelve (12) full months, any amount to be paid with respect to such period under this Article 4 shall be proportionately adjusted based on that portion of the Lease Year that this Lease is in effect.

E. The expiration or termination of this Lease during any Comparison Year for any part or all of which there is Additional Rent payable by Tenant under this Section 4 shall not affect the rights or obligations of the parties hereto respecting such Additional Rent and any Landlord's Statement relating to such increase may, on a pro rata basis, be sent to Tenant subsequent to, and all such rights and obligations shall survive, and be prorated as of, any such expiration or termination. Any payments due under such Landlord's Statement shall be payable within twenty (20) days after such statement is sent to Tenant.

F. Within thirty (30) days of its receipt of the Landlord's Statement, Tenant at its sole cost and expense shall have the right to review (or have its accountant review) in Landlord's offices and during Landlord's normal business hours the items in support of the calculations within the Landlord's Statement. If within such thirty (30) day period, Tenant does not give written notice stating in detail reasonable objections to such calculations, Tenant shall be deemed to have given approval of such calculations. Failure to pay such Additional Rent, when due, whether or not under protest, within said thirty (30) day period, shall constitute an Event of Default hereunder.

G. Any Landlord Statement given by Landlord pursuant to this Section 4 shall be binding upon Tenant unless, within ninety (90) days after its receipt of such notice, Tenant notifies Landlord of its disagreement therewith, specifying the portion thereof with which Tenant disagrees. Pending resolution of

such dispute, Tenant shall, without prejudice to its rights, pay all amounts determined by Landlord to be due, subject to prompt refund by Landlord (without interest) upon any contrary determination.

5. Landlord's Obligations.

5.1 Subject to the limitations hereinafter set forth, Landlord shall furnish Tenant while occupying the Premises and while Tenant is not in default under this Lease, facilities to provide (a) water at those points of supply provided for general use of tenants of the Building; (b) heat and air conditioning in season from 8:00 a.m. to 6:00 p.m. Monday through Friday, except for holidays ("Regular Business Hours"), at temperatures and amounts reasonably considered by Landlord to be standard, such service at night and on Saturday afternoons, Sundays and holidays to be furnished only at the written request of Tenant; and (c) elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, provided that Landlord may limit the number of elevators to be in operation at times other than during Regular Business Hours for the Building and on holidays. If Tenant desires services specified in this Section 5.1 at any time other than during Regular Business Hours, such service shall be supplied to Tenant only at the request of Tenant delivered to Landlord before 3:00 p.m. on the date which is one (1) business day preceding such extra

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usage. Tenant shall pay to Landlord, as Additional Rent, the Landlord's customary charges for such service upon receipt of a bill thereafter. As of the date hereof, the charge for heat and air conditioning to the Premises at any time other than during Regular Business Hours is \$425.00 per hour, which charge is subject to increase from time to time by Landlord without notice; there is a one (1) hour minimum on weekdays and Saturdays and a four (4) hour minimum on Sundays and holidays. During Tenant's initial move into the Building and up to a maximum of sixteen (16) hours in the aggregate, Tenant shall not be charged for the use of the freight elevator for usage (i) between 7:00 a.m. and 8:00 a.m. and between 6:00 p.m. and 12:00 a.m., Monday through Friday (excluding holidays) and (ii) between 7:00 a.m. and 5:00 p.m. on Saturdays or Sundays (collectively, the "Free Freight Time"). In the event that Tenant desires to use the freight elevator (i) at any time other than the Free Freight Time, (ii) during the aforesaid hours in excess of the aforesaid aggregate limit or (iii) for usage in excess of the amount of loads allowed (pursuant to the rules and regulations of the Building) ("Other Freight Usage"), then Tenant shall pay to Landlord as Additional Rent the cost of the Other Freight Usage upon receipt of a bill for same from Landlord.

5.2 Landlord agrees to maintain the public and common areas (the "Common Facilities" or "Common Areas") of the Building, such as lobbies, stairs, corridors and rest rooms and other areas designated for public use, as constituted from time to time, in reasonably good order and condition, except for damage caused by Tenant, or its employees, agents or invitees. Subject to Landlord's rights under this Lease and the rules and regulations set forth in Exhibit "C", Tenant, its principals, employees and customers (for purposes of this Section 5.2, collectively the "Tenant") shall have the non-exclusive right to use the Common Areas, in common with Landlord, other tenants of the Building and other persons entitled to use the same. Tenant shall not interfere with the rights of other persons to use the Common Areas. Landlord may temporarily close parts of the Common Areas for such periods of time as may be necessary for (i) temporary use as a work area in connection with the construction of improvements within the Building or contiguous property, (ii) repairs or alterations in or to the Common Areas or to any utility type facilities, (iii) preventing the public from obtaining prescriptive rights in or to the Common Areas, (iv) security reasons, or (v) doing and performing such other acts as in the use of reasonable business judgment Landlord shall determine to be appropriate for the Building; provided, however, that Landlord shall use reasonable efforts not to unduly interfere with or disrupt Tenant's business (but in no event shall Landlord be required to incur overtime charges). In addition, Landlord may at any time remodel or alter the Building, or change the location of any entrance thereto, sidewalks, passageways or any other portion thereof not occupied by Tenant (including the Common Areas), and the same shall not constitute a constructive, actual, total or partial eviction. In connection therewith, Landlord shall use reasonable efforts not to unduly interfere with or disrupt Tenant's business (but in no event shall Landlord be required to incur overtime charges).

5.3 For each supplemental HVAC unit, if any, servicing the Premises, Tenant shall pay Landlord as Additional Rent for condenser water the then Building-standard annual usage charge (which is currently \$650.00 per ton per annum), said payment to be payable on an annual basis by Tenant within ten (10) days after written demand thereof. Tenant shall also pay Landlord as Additional Rent in connection therewith the then Building-standard one-time tap-in fee (which is currently \$5,000.00). The above charges are subject to increase from time to time during the term of this Lease in direct proportion to increase(s) in costs incurred by Landlord attributable thereto. Upon receipt of the aforementioned tap-in fee, Landlord shall tap into the condenser water service system of the Building's condenser water service system.

5.4 Failure to any extent to make available, or any slow-down, stoppage or interruption of the services set forth in Section 5.1 or Section 5.5 hereinafter resulting from any cause (including, but not limited to, Landlord's compliance with [a] any voluntary or similar governmental or business guideline now or hereafter published or [b] any requirements now or hereafter established by any governmental agency, board or bureau having jurisdiction over the operation and maintenance of the Building) shall not render Landlord liable for damages to person, property, or business, nor be construed as an eviction of Tenant or work an abatement

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of Rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. If any equipment or machinery furnished by Landlord breaks down or for any cause cease to function properly, Landlord shall use reasonable diligence to repair same promptly, but Tenant shall have no claim for abatement of Rent or damages for any interruptions in service occasioned thereby or resulting therefrom.

5.5 Tenant shall take good care of and keep the Premises clean, however, Landlord shall provide basic janitorial services to and rubbish removal from the Demised Premises in accordance with standard Building practice (which current practice is outlined in Exhibit "G" attached to this Lease).

5.6 Landlord reserves the right to stop the service of the heating, air conditioning, ventilating, elevator, plumbing, electrical, communications or other mechanical systems or facilities in the Building when necessary by reason of accident or emergency, or for repairs, alterations, replacements or improvements, which, in the judgment of Landlord are desirable or necessary, until said repairs, alterations, replacements or improvements shall have been completed. The exercise of such right by Landlord shall not constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Rent, or relieve Tenant from any of its obligations under this Lease, or impose any liability upon Landlord or its agents by reason of inconvenience or annoyance to Tenant, or injury to or interruption of Tenant's business, or otherwise. Landlord shall employ reasonable diligence in attempting to restore the operation of any such systems or facilities without any obligation, however, to employ labor at overtime or other premium pay rates.

5.7 If an excavation shall be made upon land adjacent to the Project, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation license to enter the Premises for the purpose of doing such work as said person shall deem necessary to preserve the wall or the Building from injury or damage and to support the same by proper foundation without any claim for damages or indemnity against Landlord, or

diminution or abatement of Rent. In connection therewith, Landlord shall use reasonable efforts not to unduly interfere with or disrupt Tenant's business (but in no event shall Landlord be required to incur overtime charges).

5.8 Landlord shall replace, at the sole cost and expense of Tenant, any and all plate and other glass damaged or broken from any cause whatsoever in and about the Premises, except if caused by the negligence or willful acts of Landlord. Bills therefor shall be due from and payable by Tenant upon delivery, and the amount thereof shall be deemed to be, and paid as, Additional Rent.

6. HVAC. Tenant, at its sole cost and expense, shall maintain and repair any ventilation, heating and air-conditioning unit(s)/system(s) in the Demised Premises, as to keep same in working order throughout the Lease Term. Further, Tenant shall procure, in a prompt and diligent manner at its sole cost and expense, a service contract for any supplemental unit installed in the Premises by Tenant or Landlord, and supply a copy of same to Landlord and its managing agent. In addition, Tenant acknowledges and agrees that all unit(s) within the Premises (whether now existing or hereinafter installed by either party) are the property of Landlord, and shall remain at the Demised Premises upon the termination of this Lease, provided that Landlord, at its option, may by notice to Tenant, require Tenant to remove any supplemental HVAC unit(s), at Tenant's cost, and repair any damage caused by such removal, normal wear and tear excepted.

7. Permitted Use. Tenant shall use the Premises only for the Permitted Use. Tenant will not occupy or use the Premises, or permit any portion of the Premises to be occupied or used, for any business or purpose other than the Permitted Use, in violation of any term or provision of this Lease or for any use or purpose which is unlawful in part or in whole or deemed to be disreputable in any manner, nor permit anything to be done which will in any way increase the rate of insurance on the Building. Tenant will conduct its business and control its agents, employees and invitees to not create any nuisance, nor interfere with, annoy or

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disturb other tenants or Landlord in the management of the Building. Tenant will maintain the Premises in a clean, healthful and safe condition and will comply with all laws, orders, rules, regulations and ordinances of all federal, state or local governmental or quasi-governmental entity or authority, agency, municipality or other bodies having jurisdiction thereof. Tenant agrees that Tenant will not bring or permit any obscene or pornographic material (defined for the purposes hereof as any written or pictorial matter with prurient appeal or any objects or instrument that are primarily concerned with lewd or prurient sexual activity) into the Premises or any part of the Project, and shall not permit or conduct any obscene, nude, or semi-nude live performances in the Premises or any portion of the Project, nor permit use of the Premises for nude modeling, rap sessions, as a sex club of any sort or as a massage parlor. It is further understood that the Premises may not be used for residential purposes and that sleeping overnight in the Premises, cooking (except by way of microwave oven) or other such housekeeping functions are not permitted.

Tenant shall not place a load upon any floor of the Premises exceeding the floor load per square foot which such floor was designated to carry or which is allowed by law; Landlord hereby reserving the right to prescribe the weight and position of all safes or other unusually heavy equipment which must be placed so as to distribute the weight. Business machines and mechanical equipment shall be placed in settings sufficient in Landlord's judgment to absorb and prevent transmission of vibration, noise and annoyance. Tenant shall not create any excessive noise or vibration levels which shall interfere with the quiet enjoyment of the other tenants/licensees occupying other portions of the Project. Tenant agrees to promptly notify Landlord, in writing, of all noise complaints or summons that it receives and to submit a proposal reasonably satisfactory to Landlord as to how to handle same and assure that such complaints shall not recur. In addition to any other right or remedy Landlord has under this Lease, in the event that any legal action is brought against Landlord by any municipal authority having jurisdiction, arising out of noise emanating from the Premises, Tenant shall pay Landlord, upon demand, all of the reasonable attorney's fees and disbursements incurred by Landlord in defending such action.

Notwithstanding the foregoing, Tenant agrees that it and anyone holding through Tenant (including any sublessee/assignee) may not use the Premises or a portion thereof for any of the following designated uses nor for any other use which is substantially similar to any one of the following designated uses: (i) federal, state or local governmental division, department or agency which generates heavy public traffic, including, without limitation, court, social security offices, labor department office, drug enforcement agency, motor vehicle agency, postal service, military recruitment office; (ii) union or labor organization; (iii) office for the practice of medicine, dentistry or the rendering of other health related services; (iv) chemical or pharmaceutical company provided; however, that the subletting or assignment to such a company which will use the Premises only for executive, general and sales offices and waive the right to conduct any research and development shall not be prohibited; (v) insurance claims office, including, but not limited to, unemployment insurance or worker's compensation insurance; and (vi) real estate brokerage firm.

If, at any time, Tenant violates any of the provisions of this Section 7, such violation shall be deemed an Event of Default following a five (5) day written notice and cure period. A violation of any of the terms of this provision shall give to the Landlord the right to restrain the same by injunctive relief and/or exercise any of Landlord's remedies provided for in this Lease. This Section 7 shall directly bind any successors in interest to the Tenant.

8. Repairs and Maintenance / Alterations.

8.1 Tenant will not deface or injure the Building, and will pay the cost of repairing any damage or injury done to the Building or any part thereof by Tenant or Tenant's agents, employees or invitees. Tenant shall take good care of the Premises and keep them free from waste and nuisance of any kind. Tenant shall keep the Premises, including all fixtures installed by Tenant, in good condition (reasonable wear and tear

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excepted), and to make all necessary non-structural repairs, except those caused by fire, casualty or acts of nature covered by Landlord's insurance policy (except as otherwise provided for in Section 15 of this Lease) covering the Building. The performance by Tenant of its obligations to maintain the Premises and make repairs shall be conducted only by contractors and subcontractors consented to by Landlord and Tenant shall procure and maintain and shall cause such contractors and subcontractors engaged by or on behalf of Tenant to procure and maintain insurance coverage against such risks, in such amounts and with such companies as Landlord requires in connection with such maintenance and repair.

8.2 If Tenant fails to make the repairs described above within ten (10) days after the occurrence of the damage or injury (or a shorter time period in the event of any emergency, as determined by Landlord using reasonable judgment), Landlord may at its option make such repair, and Tenant shall, upon demand therefor, pay Landlord for the cost thereof (such cost being deemed Additional Rent).

8.3 The performance of any alterations, physical additions or improvements to the Premises by Tenant shall be governed by the terms of Section 54 hereinafter and Exhibit "E", if applicable. Except as otherwise expressly set forth in this Lease, Tenant will not make or allow to be made any

alterations or physical additions in or to the Premises without the prior written consent of Landlord. All alterations, additions or improvements (whether temporary or permanent in character) made in or upon the Premises by Landlord or Tenant shall be Landlord's property on termination or expiration of this Lease and shall remain on the Premises without compensation to Tenant, provided that Landlord, at its option, may by notice to Tenant, require Tenant to remove any such alterations, additions or improvements at Tenant's cost and restore the Premises to the condition as of the Commencement Date, normal wear and tear excepted. All furniture, movable trade fixtures and equipment (or any other items) installed by Tenant shall be removed by Tenant at the expiration or earlier termination of this Lease. If such furniture, moveable trade fixtures and equipment are not removed by Tenant at the expiration or earlier termination of this Lease, such items shall be considered abandoned by Tenant and shall, at Landlord's option, become property of Landlord or may be removed by Landlord at Tenant's sole cost and expense. All such removals and restoration shall be accomplished in a good workmanlike manner so as not to damage the Premises or Common Areas or the structure of the Building or the plumbing, electrical or other utilities, Provided Tenant substantially complies with the material terms of this Lease (including, without limitation, Article 54), Tenant shall not be required to remove Tenant's Initial Buildout (as defined in Article 54J(ii) hereinafter) prior to the Expiration Date, provided that said work must be completed on or before December 31, 2005.

8.4 Tenant may contract separately with providers of telecommunications or cellular products, systems or services for the Premises. Even though such products, systems or services may be installed or provided by such providers in the Building, in consideration for Landlord's permitting such providers to provide such services to Tenant, Tenant agrees that Landlord and the Landlord Indemnities (defined below) shall in no event be liable to Tenant, its employees, agents, principals and affiliates for any damages of any nature whatsoever arising out of or relating to the products, systems or services provided by such providers (or any failure, interruption, defect in or loss of the same) or any acts or omissions of such providers in connection with the same or any interference in Tenant's business caused thereby. Tenant waives and releases all rights and remedies against Landlord and the Landlord Indemnities that are inconsistent with the foregoing. "Landlord Indemnities" shall be deemed to include, but not be limited to, the Landlord's employees, agents, affiliates and mortgagees.

8.5 Tenant, at its own cost and expense, shall install and maintain all equipment and appliances as may be required by, and otherwise fully comply with, all applicable governmental codes and regulations (including, but not limited to, those imposed by the fire department, state board of fire underwriters or any fire insurance rating organization) and as required by Landlord's insurers, including but not limited to, fire alarm, smoke alarm, fire extinguisher appliances and systems, except that nothing contained herein shall

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require Tenant to make structural changes to the Demised Premises, unless such changes are required as a result of Tenant's use or manner of use of the Demised Premises or any Tenant's Work (as defined in Section 54 hereinafter). Any of the foregoing equipment and appliances existing at the Premises as of the date of this Lease are in working order as of the date of this Lease.

8.6 Upon the Expiration Date or earlier termination of this Lease, in addition to all other specific obligations of Tenant under this Lease regarding repairs and restorations, and subject to the terms contained in this Section, Tenant shall quit and surrender the Premises to Landlord broom clean and in as good order, condition and repair as on the completion of Tenant's Initial Buildout (as defined in Section 54J(ii) hereinafter) (except for reasonable wear and tear, casualty and event of force majeure) and shall deliver to Landlord all keys to the Premises. If Tenant does not deliver the Premises to Landlord as provided for in this Lease, without prejudice to any other remedy, Tenant specifically agrees that Landlord, without notice to Tenant, may render the Premises in the condition required hereunder and deduct the costs therefor from the Security Deposit (if any). In the event that there is no Security Deposit or if there is insufficient Security Deposit to cover Landlord's costs, Tenant shall pay Landlord for said costs promptly upon receipt of an invoice or Landlord's request therefor.

9. Subletting and Assigning.

9.1 A. If Tenant shall desire to assign this Lease or to sublet the Demised Premises in whole or in part, Tenant shall submit to Landlord a written request for Landlord's consent to such assignment or subletting ("Tenant's Proposal"), which Tenant's Proposal shall contain or be accompanied by the following information: (i) the name and address of the proposed assignee or subtenant; (ii) a description identifying the space to be assigned or sublet; (iii) the terms and conditions (financial and otherwise) of the proposed assignment or subletting; (iv) the nature and character of the business of the proposed assignee or subtenant and of its proposed use of the Demised Premises; and (v) current financial information and any other information as Landlord may reasonably request with respect to the proposed assignee or subtenant and the proposed assignment or subletting. Landlord shall have the option, to be exercised by notice given to Tenant within thirty (30) days after the later of (a) receipt of Tenant's Proposal for consent or (b) receipt of such further information as Landlord may reasonably request pursuant to clause (v) above to require a surrender of the Demised Premises or the portion thereto involved as of a date to be specified in said notice (the "Termination Date") which shall not be earlier than one day before the effective date of the proposed assignment or subletting or later than sixty-one (61) days after said effective date, in which event Tenant shall vacate and surrender the Demised Premises or the portion thereto involved on or before the Termination Date and the term of this Lease shall end on the Termination Date as if that were the Expiration Date.

B. If Landlord shall not exercise its option under Section 9.1(A) above, Landlord shall not unreasonably withhold or delay its consent to the proposed subletting or assignment referred to in Tenant's Proposal given pursuant to Section 9.1(A) above, but only on the terms set forth therein, provided that the following further conditions shall be fulfilled:

(1) The Demised Premises shall not, without Landlord's prior consent, have been listed or otherwise publicly advertised for assignment or subletting at a rental rate lower than the then prevailing rental rate for other space in the Building, and Tenant shall not enter into any sublease at a rental rate lower than the rental rate prevailing in the Building at the time of the proposed subletting;

(2) No space shall be sublet nor this Lease assigned to another tenant, or to a related corporation of any other tenant or to any other occupant of the Building, if Landlord shall then have available for rent comparable space in the Building for a comparable term and comparable rent;

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(3) No subletting or assignment shall be to a person or entity which has, in Landlord's reasonable opinion, a financial standing, is of a character, is engaged in a business, or proposes to use the Premises in a manner not in keeping with the standards of the Building;

(4) Any subletting shall be expressly subject to all of the obligations of Tenant under this Lease and, without limiting the generality of the foregoing, the sublease shall impose at least the same restrictions and conditions with respect to use as are contained in Section 1.11 and Section 7 and shall specifically provide that there shall be no further subletting of the sublet premises or assignment or mortgaging of the sublease;

(5) The term of such sublease shall end one (1) day prior to the Expiration Date or earlier termination of this Lease;

(6) The proposed subtenant or assignee shall not be a person or entity then negotiating with Landlord for the rental of any comparable space in the Building; to assist Tenant in complying with this clause, at Tenant's request Landlord shall respond within five (5) business days to any inquiry from Tenant as to whether a specific prospective subtenant noted in Tenant's Proposal is then negotiating with Landlord;

(7) Landlord shall be furnished with a duplicate original of the sublease or assignment documents within ten (10) days after the date of their execution and, in any event, together with the request for Landlord's consent;

(8) In the case of a subletting, Tenant shall pay to Landlord an amount equal to one-half (1/2) of any Base Rent and Additional Rent or other consideration paid to Tenant by any subtenant which is in excess of the Base Rent and Additional Rent then being paid by Tenant to Landlord pursuant to the terms hereof on a per square foot pro rata basis, net of brokerage fees and legal fees, if any (all amortized, without interest, over the term of the sublease on a straight-line basis), incurred in connection with the subletting. All sums payable hereunder by Tenant shall be paid to Landlord as Additional Rent immediately upon receipt thereof by Tenant. If only a part of the Demised Premises is sublet then the rent paid therefor by Tenant to Landlord shall be deemed to be that fraction thereof that the area of said sublet space or assigned lease bears to the entire Demised Premises;

(9) There shall be no Event of Default by Tenant under any of other terms, covenants and conditions of this Lease at the time that Tenant submits Tenant's Proposal and on the date of the commencement of the term of any such proposed sublease or effective date of the proposed assignment; and

(10) The sublease shall provide by its terms that it may not be further modified in any material manner (including, without limitation, modification of the financial obligations, identity or character of the subtenant), without Landlord's consent, it being expressly agreed that any such modification shall, for the purposes of this Lease, be deemed and construed as a subletting for which Tenant must comply with this Section 9 as if such sublease had not been theretofore consented to by Landlord.

(11) The sublease shall provide that the subtenant shall, at Landlord's option, attorn to Landlord upon any termination of this Lease.

(12) Intentionally Deleted

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C. No assignment of this Lease shall be binding upon Landlord unless, in addition to compliance with the prior provisions of this Section 9 (including Section 9.3), the assignee shall execute, acknowledge and deliver to Landlord (a) a duplicate original instrument of assignment in form and substance reasonably satisfactory to Landlord, duly executed by Tenant, and (b) an agreement, in form and substance reasonably satisfactory to Landlord, duly executed by the assignee, whereby the assignee shall unconditionally assume observance and performance of, and agree to be personally bound by all of the terms, covenants and conditions of this Lease on Tenant's part to be observed or performed, including, without limitation, the provisions of this Section 9 (including Section 9.3) with respect to all future assignments and subletting; but the failure or refusal of the assignee to execute or deliver such an agreement shall not release the assignee from its liability for the obligations of Tenant hereunder assumed by acceptance of the assignment of this Lease.

D. If this Lease shall be assigned, whether or not in violation of the terms of this Lease, Landlord may collect Rent from the assignee. If the Demised Premises or any part thereof be sublet or be used or occupied by anybody other than Tenant, whether or not in violation of this Lease, Landlord may collect Rent from the subtenant or occupant. In either event, Landlord may apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any provisions of this Section 9, or the acceptance of the assignee, subtenant or occupant as a tenant, or a release of Tenant from the further performance by Tenant of Tenant's obligations under this Lease, including the obligation to pay all Base Rent and Additional Rent. The consent by Landlord to an assignment, transfer, encumbering or subletting pursuant to any provision of this Lease shall not in any way be considered to relieve Tenant from obtaining the express prior consent of Landlord to any other or further assignment, transfer, encumbering or subletting. References in this Lease to use or occupancy by anyone other than Tenant shall not be construed as limited to and those claiming under or through but as including also licensees and others claiming under Tenant, immediately or remotely. The listing of any name other than that of Tenant on any door of the Demised Premises or on any directory or in any elevator in the Building, or otherwise, shall not operate to vest in the person so named any right or interest in this Lease or the Demised Premises, or be deemed to constitute, or serve as a substitute for, any consent of Landlord required under this Section 9, and it is understood that any such listing shall constitute a privilege extended by Landlord, revocable at landlord's will by notice to Tenant. Tenant agrees to pay to Landlord all reasonable out-of-pocket cost that may be incurred by Landlord in connection with any proposed assignment of this Lease or any proposed subletting of the Demised Premises or any part thereof including the costs of making investigations as to the acceptability of a proposed subtenant or assignee and reasonable attorneys' fees. Neither any assignment of this Lease nor any subletting, occupancy or use of the Demised Premises or any part thereof by any person other than Tenant, nor any collection of Rent by Landlord from any person other than Tenant, nor any application of any such Rent as provided in this Section shall, under any circumstances except as set forth in Section B of this Section, relieve, impair, release or discharge Tenant of its obligations fully to perform the terms of this Lease on Tenant's part to be performed.

9.2 Intentionally Deleted.

9.3 For the purposes of this Lease, an "assignment" prohibited by this Section 9 shall be deemed to include the following: if Tenant is a partnership, a withdrawal or change (voluntary, involuntary, by operation of law) of any one or more of the partners thereof, if such withdrawal represents twenty-five percent (25%) or more of the partners in the partnership as then constituted, or the dissolution of the partnership; or, if Tenant consists of more than one person, a purported assignment, transfer, mortgage or encumbrance (voluntary, involuntary, by operation of law or otherwise) from one thereof to the other or other thereof, or to any third party; or, if Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, or any change in the ownership (voluntary, involuntary, by operation of law, creation of new stock or otherwise) of fifty percent (50%) or more of its capital stock from the ownership existing on the date of execution hereof, or, the sale of fifty percent (50%) of the value of the assets of Tenant. Notwithstanding

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anything to the contrary contained in the foregoing, Landlord's consent shall not be required for Tenant's assigning this Lease or subletting a portion of the Demised Premises (but Landlord shall receive no less than ten [10] business day's prior written notice along with the financial information referred to in Article 9.1A for both Tenant and the affiliate, subsidiary, parent, merged or consolidated company) to an affiliate, subsidiary or parent of Tenant, a company into or with which Tenant is merged or consolidated or to a company which purchases all or substantially all of Tenant's assets. For purposes hereof: (i) an affiliate of

Tenant shall mean any entity which is directly controlled by or is under common control with Tenant (“control” being interpreted as the ownership of fifty-one percent (51%) or more of the interests in such entity and possession of the power to direct the management and policies of such entity and the distribution of its profits); (ii) a subsidiary of Tenant shall mean an entity which is controlled by Tenant; (iii) a parent of Tenant shall mean an entity which has ownership of fifty-one percent (51%) or more of the interests of Tenant and possession of the power to direct the management and policies of Tenant and the distributions of Tenant’s profits; (iv) an entity in which or with which Tenant is merged or consolidated shall mean an entity subject to the jurisdiction of the courts of the State of New York which succeeds Tenant in accordance with applicable statutory provisions for merger or consolidation of entities and which, by operation of law or by effective provisions contained in the instruments of merger or consolidation fully assumes the liabilities of the entities participating in such merger or consolidation and which has, on the completion of such merger or consolidation, satisfies the Net Worth Test (hereinafter defined); and (v) an entity which purchases all or substantially all of Tenant’s assets shall mean an entity which: (A) is unrelated to Tenant or any affiliate, subsidiary or parent of Tenant; (B) is subject to the jurisdiction of the courts of the State of New York; (D) fully assumes the liabilities and the obligations of Tenant under this Lease; (D) purchases such assets pursuant to a bona fide, arm’s length sale that is not consummated for the purpose of circumventing the restrictions set forth in this Article; and (B) has, on the completion of such sale, satisfies the Net Worth Test. Furthermore, Landlord agrees that (i) Article 9.1B(8) or 9.4, as applicable, shall not be applicable to any permitted subletting/assignment under this Article 9.3 and (ii) Landlord shall not be allowed to avail itself of any recapture rights in connection with any assignment allowable under this Article 9.3. In connection with this Article, Landlord shall have the right, at any reasonable time and from time to time, to examine such books and records of Tenant as may be necessary to establish that (a) such entity (subtenant or assignee) remains a related/affiliated entity of Tenant and that no rent is being paid to Tenant by such related entity and (b) the Net Worth Test is being complied with (including the request for financial information). In addition, a transfer of control of the Tenant to any corporation whose securities are traded on a public securities exchange or the redemption or issuance of additional stock of any class shall not be deemed to be an assignment of this Lease, provided that upon the completion of said transaction(s) the transferee entity passes the Net Worth Test, and Landlord’s consent to such assignment or subletting shall not be required (provided prior written notice is given to Landlord). The Net Worth Test shall not be satisfied unless the assignee shall have a net worth and annual income and cash flow, determined in accordance with generally accepted accounting principles, consistently applied, after giving effect to such assignment, equal to Tenant’s net worth and annual income and cash flow, as so determined, on the date immediately preceding the date of such assignment.

For the purposes of this Article 9, the direct or indirect transfer of a controlling ownership interest in a Tenant, by merger, consolidation, transfer of shares of a Tenant, sale of all or substantially all of the assets of a Tenant or otherwise, whether effected in a single transaction or series of transactions, shall be deemed an assignment of this Lease and shall be subject to all of the provisions of this Article 9, including, without limitation, the requirement that Tenant obtain Landlord’s prior consent thereto, unless the same is expressly permitted by the terms and provisions of this Section 9.3. The transfer of shares of a Tenant for purposes of this Section 9.3 shall not include the sale of shares effected through any nationally recognized stock exchange.

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9.4 If Landlord gives its consent to any assignment of this Lease, or if Tenant is otherwise permitted to make any assignment pursuant to this Lease, Tenant shall in consideration therefor, pay to Landlord, as Additional Rent, an amount equal to one-half (1/2) of all sums and consideration paid to Tenant by the assignee for or by reason of such assignment (including any sums paid for the sale, rental, or use of Tenant’s Property (as defined in Section 17 hereinafter) in excess of the then unamortized value of Tenant’s Property as reflected in Tenant’s federal income tax returns) less the reasonable brokerage commissions and legal fees (all amortized, without interest, over the remaining term of this Lease, on a straight-line basis), if any, actually paid by Tenant in connection with such assignment. The sums payable under this Subsection 9.4 shall be paid to Landlord as and when payable by the assignee or subtenant to Tenant.

9.5 In no event shall Tenant be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counter claim or defense) based upon any claim or assertion by Tenant that Landlord has unreasonably withheld or unreasonably delayed its consent or approval to a proposed assignment or subletting as provided for in this Section. Tenant’s sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance, injunction or declaratory judgment.

9.6 In the event that Tenant fails to execute and deliver any assignment or sublease to which Landlord consented under the provisions of this Section within forty-five (45) days after the giving of such consent, then Tenant shall again comply with all of the provisions of this Section before assigning its interest in this Lease or subletting the Demised Premises.

9.7 Notwithstanding any provision in this Lease to the contrary, it shall not be unreasonable for Landlord to withhold its consent to any proposed transfer, assignment or subletting of the Premises if (i) the proposed transferee’s anticipated use of the Premises involves the generation, storage, use, treatment, or disposal of Hazardous Material (as defined in Section 45 herein); (ii) the proposed transferee has been required by any prior landlord, lender, or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such transferee’s actions or use of the property in question; or (iii) the proposed transferee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal, or storage of a Hazardous Material.

9.8 Landlord shall consent to Tenant subletting up to twenty percent (20%) of the Demised Premises for general administrative office use for business professionals, provided that (i) Tenant gives prior written notice to Landlord, along with a copy of the executed sublease and a proper certificate of insurance [naming Landlord and Landlord’s managing agent and any other entities required by Landlord as additional insureds], (ii) the sublessee and Tenant sign Landlord’s standard consent form for the Building, (iii) Tenant pays Landlord’s reasonable legal fees associated therewith, (iv) the subtenants are not given a separate entrance to the Demised Premises and (v) such subtenancy is in compliance with the terms and provisions of this Lease. The subletting referred to in this section 9.8 shall not be subject to the provisions of subparagraph 9.1B(8) and Landlord shall have no right of recapture relative to same.

10. Indemnity. Tenant shall indemnify, hold harmless and defend Landlord (for whom, for purposes of this Section 10, shall be deemed to include all additional insureds required to be named under Tenant’s commercial liability insurance policy, pursuant to Section 24 hereinafter) from and against all damages, suits, losses, costs, expenses, claims, causes of action, liabilities, and injuries (including without limitation, reasonable attorney’s, consultant’s and expert’s fees and costs and litigation expenses) arising, or alleged to arise, from (a) bodily injury or personal injury suffered by any party and occurring in the Premises, unless caused by the willful or grossly negligent acts of Landlord, its contractors, agents or employees; (b) bodily injury or personal injury to any party caused by Tenant, its contractors, agents or employees occurring outside the Premises; and/or (c) property damage caused or suffered by Tenant or any party inside the Premises

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or caused or suffered by Tenant, its contractors, agents or employees outside the Premises, unless due to the willful acts or gross negligence of Landlord, its contractors, agents or employees. Tenant shall, at its own expense, defend all actions brought against Landlord for which Tenant is or may be responsible for

indemnification hereunder, with legal counsel reasonably acceptable to Landlord and if Tenant fails to do so, Landlord (at its option, but without being obligated to do so) may, at the expense of Tenant and upon notice to Tenant, defend such actions, and Tenant shall pay and discharge any and all judgments that arise therefrom. The terms of this Section 10 are subject to the provisions of Sections 23 and 24 herein. The provisions of this Section 10 shall survive the expiration or earlier termination of this Lease.

11. Subordination / Mortgagee's Right to Cure Landlord's Defaults. This Lease and all rights of Tenant hereunder are subject and subordinate to any deeds to secure debt, mortgages or any other instruments of security, as well as to any ground leases, that now or hereafter cover all or any part of the Building, the Land or any interest of Landlord therein, and to any and all advances made on the security thereof, and to any and all increases, renewals, modifications, consolidations, replacements and extensions of any such instruments. This provision shall be self-operative and no further instrument shall be required to effect such subordination of this Lease. Tenant shall, however upon demand execute, acknowledge and deliver to Landlord any and all instruments and certificates that in the judgment of Landlord may be necessary or proper to confirm or evidence such subordination. Notwithstanding the generality of the foregoing provisions of this Section, Tenant agrees that any such mortgagee shall have the right at any time to subordinate any such instruments to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate. Tenant further covenants and agrees upon demand by Landlord's mortgagee at anytime, before or after the institution of any proceedings for the foreclosure of any such instruments, or sale of the Building pursuant to any such instruments, to attorn to such purchaser upon any such sale and to recognize such purchaser as Landlord under this Lease. The agreement of Tenant to attorn upon demand of Landlord's mortgagee contained in the immediately preceding sentence shall survive any such foreclosure sale. Tenant shall upon demand at any time or times before or after any such foreclosure sale, execute, acknowledge and deliver to Landlord's mortgagee any and all instruments and certificates that in the judgment of Landlord's mortgagee may be necessary or proper to confirm or evidence such attornment. Tenant hereby irrevocably appoints Landlord's mortgagee as Tenant's agent and attorney-in-fact for the purpose of executing, acknowledging and delivering any such instruments and certificates.

Landlord will request from any future mortgagee(s) of the Building that any such future mortgagee(s) (and Landlord will use reasonable efforts to have said mortgagee[s]) execute and deliver to Tenant a document wherein it is agreed that, provided Tenant is not in default under any of the terms, conditions and/or provisions of this Lease, beyond any applicable grace period, neither Tenant's possession of the Demised Premises nor its rights under this Lease shall be disturbed. Tenant acknowledges and agrees that (i) it shall reimburse Landlord, on demand, for all of Landlord's reasonable costs (including, without limitation, all reasonable legal fees and disbursements) connected in any way with Landlord's above-mentioned request to any mortgagee(s) of the Building, (ii) no representations, warranties or promises have been made to Tenant that the mortgagee(s) of the Building, if any, will execute such a document, (iii) neither this Lease nor compliance by Tenant with any of its terms, conditions and/or provisions are conditioned, in any manner whatsoever, on (x) the execution or non-execution of such a document, or (y) the issue of whether Landlord used reasonable efforts to have said mortgagee(s) execute such a document and (iv) Tenant shall have no rights or remedies whatsoever against anyone or thing in the event the mortgagee(s) of the Building, if any, does not execute such a document.

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12. Rules and Regulations. Tenant and Tenant's agents, employees and invitees will comply with all the rules and regulations of the Building, which are attached hereto as Exhibit "C" and incorporated herein by reference; it being understood that in the event of any conflict between this Lease and the rules and regulations, the provisions of this Lease shall control. Landlord in its sole judgment shall have the right to rescind or change such rules and regulations or to promulgate other rules and regulations in a manner deemed advisable for safety, care, or cleanliness of the Building and related facilities or Premises, and for preservation of good order therein, all of which rules and regulations, changes and amendments will be forwarded to Tenant in writing and shall be carried out and observed by Tenant. Tenant shall further be responsible for the compliance with such rules and regulations by the employees, servants, agents, visitors and invitees of Tenant and failure to comply shall be an Event of Default, following the expiration of any applicable notice and cure period set forth herein.

13. Access to Premises. Landlord and its agents and representatives shall have the right to enter into and upon any and all parts of the Premises (a) to inspect or examine the Premises; (b) to determine the course and degree of completion of Tenant's Work and its compliance with Tenant's Plan (as defined in Section 54) and the terms of conditions of this Lease; (c) to perform any obligation of Landlord under this Lease or exercise any right or remedy reserved to Landlord under this Lease; (d) to erect, install, use and maintain pipes, ducts and conduits in and through the Premises; (e) to make such decorations, repairs, alterations, improvements or additions, or to perform such maintenance, including, but not limited to, the maintenance of all heating, air conditioning, ventilating, elevator, plumbing, electrical, telecommunication and other mechanical facilities, as Landlord may deem necessary or desirable; (f) to take all materials into and upon the Premises that may be required in connection with any such decorations, repairs, alterations, improvements, additions or maintenance; (g) to alter, renovate and decorate the Premises at any time during the Lease Term if Tenant shall have removed all or substantially all of Tenant's property from the Premises; (h) to show the Premises to prospective tenants within the last eight (8) months of the Lease Term; and (i) to show the Premises to prospective purchasers or lenders of the Building.

Supplementing the above, (i) Landlord agrees that, except in cases of emergency and/or when required or permitted by law, any entry upon the Demised Premises shall be made at reasonable times during Regular Business Hours, and only after reasonable advance notice; (ii) if Tenant, its agent, representative or employee shall not be personally present or shall not open and permit an entry into the Demised Premises at any time when such entry shall be necessary or permissible, Landlord shall use a master key or forcibly enter the Demised Premises, without liability; and (iii) lessors under any superior lease and the holders of any mortgage shall have the right to enter the Demised Premises from time to time through their respective employees, agents, representatives and architects to inspect the Premises or to cure any default of Landlord or Tenant relating thereto. Tenant shall not be entitled to any abatement or reduction of Rent by reason of this Section 13, nor shall such be deemed to be an actual or constructive eviction.

Notwithstanding anything to the contrary contained in this Section 13, Landlord and its agents shall have the right to permit access to the Demised Premises, whether or not Tenant shall be present, to any receiver, trustee, assignee for the benefit of creditors, sheriff, marshal or court officer entitled to, or reasonably purporting to be entitled to, such access for the purpose of taking possession of, or removing, any property of Tenant or any other occupant of the Demised Premises, or for any other lawful purpose, or by any representative of the fire, police, building, sanitation or other department of the City, State or Federal Governments. Except in cases of emergency and/or when entry is required or permitted by law, any such entry upon the Demised Premises shall be made only after reasonable advance notice to Tenant and, upon Tenant's request, Landlord shall provide Tenant with any available proof of authority and entitlement to enter. Nothing contained in this Section or any action taken by Landlord pursuant to this Section, shall be deemed to constitute recognition by Landlord that any person other than Tenant has any right or interest in this Lease or the Demised Premises.

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14. Condemnation. If the Premises, or any part thereof, or if the Building or any portion of the Building, leaving the remainder of the Building unsuitable for use as an office building comparable to its use on the Commencement Date of this Lease, shall be taken or condemned in whole or in part for public purposes, or sold in lieu of condemnation, then the Lease Term shall, at the sole option of Landlord, forthwith cease and terminate. All compensation awarded for any taking (or sale proceeds in lieu thereof) shall be the property of Landlord, and Tenant shall have no claim thereto, the same being hereby expressly waived by

Tenant. Notwithstanding anything contained in this Lease to the contrary, Tenant shall be entitled to (i) claim, prove, and receive in condemnation proceedings or other proceedings in the event of a conveyance in lieu of condemnation, damages for relocation costs, improvements, fixtures and other equipment installed by Tenant, together with any award for loss of business or leasehold interest paid for by Tenant or (ii) terminate this Lease if greater than twenty-five percent (25%) of the Premises are taken or if the Premises are no longer accessible, provided Tenant gives Landlord written notice within thirty (30) days of such event. In the event of a partial taking, Base Rent and Tenant's Percentage shall be reduced proportionately and Landlord will restore the Premises to a self-contained unit.

15. Casualty.

A. In the event the Premises or the Building are materially or totally damaged or are rendered materially or wholly untenable by fire or other casualty or accident, Landlord may, as provided for hereinafter, give Tenant written notice of Landlord's election to terminate the Lease, and thereupon the term of the Lease shall expire by lapse of time upon the tenth (10th) day after such notice is given, and Tenant shall vacate the Premises and surrender the same to Landlord.

Landlord shall, within the later of (a) one hundred twenty (120) days from the fire or casualty or (b) thirty (30) business days after Landlord receives written notice from its insurance carrier regarding the extent of insurance proceeds Landlord will receive to restore the Building and/or the Premises, give Tenant written notice ("Casualty Notice") of its intention to either (i) restore or rebuild the Premises in character, layout and area substantially equal to the Premises damaged or destroyed immediately prior to such damage or destruction (except Landlord shall not be required to rebuild, repair or replace any part of the furniture, equipment, trade fixtures and other improvements [including Tenant Improvements, if any] which may have been placed by Tenant [or by Landlord on behalf of Tenant] in the Premises) within two hundred forty (240) days from the date of such fire or other casualty (but such two hundred forty [240] day period shall be subject to reasonable extensions and delays resulting from acts of God, fire, strikes, lockouts, labor trouble, inability to procure materials by reason of governmental restrictions, riots, insurrection, war or other causes beyond the reasonable control of Landlord) or (ii) terminate this Lease, as hereinbefore mentioned. In the event Landlord elects to restore or rebuild the Premises, Base Rent and all other obligations of Tenant shall abate as of the date of such fire or other casualty (as long as Tenant shall not be in monetary or material nonmonetary default under this Lease after the expiration of any applicable cure period and such damage or casualty was not caused by Tenant) until the Premises shall have been restored or rebuilt by Landlord as required hereunder and possession thereof shall have been delivered to Tenant.

If Landlord fails to give the Casualty Notice within the period required under this Section or, if Landlord fails to repair the damage (if the Casualty Notice notes Landlord's intention to do so) from the casualty within the period set forth in the Casualty Notice (subject to force majeure), then Tenant shall have the right (provided Tenant is not in default under the Lease beyond any applicable notice and cure period and Tenant cannot conduct its business operations within the Premises) to elect to immediately cancel this Lease by giving written notice to Landlord, provided such notice states that "Landlord failed to cancel this Lease within the required time period of Section 15 of the Lease" and that "Landlord's failure to void Tenant's notice of termination of the Lease within fifteen (15) business days of Landlord's receipt of this correspondence shall be

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deemed Landlord's acceptance of Tenant's termination of the Lease". A copy of such notice must be simultaneously sent to Landlord's counsel (or such other parties as Landlord may from time to time designate) in accordance with the notice provisions of this Lease in order for such request to be deemed effective. In the case Tenant gives a termination notice because Landlord failed to repair the casualty within the applicable time period, Landlord can only void Tenant's termination notice by delivery of the Premises in the condition required under this Section within thirty (30) business days of Landlord's receipt of the termination notice.

Notwithstanding anything to the contrary contained in this Section, Tenant shall have the option to cancel the Lease, in the event such casualty was not caused by Tenant and (i) the casualty occurs during the last year of the Lease Term, (ii) the casualty occurs at any time and, in both Landlord's and Tenant's reasonable opinion, the restoration will take over three hundred sixty (360) days from said occurrence or (iii) the Casualty Notice informs Tenant that Landlord intends to restore (and not terminate), but the restoration will take over two hundred seventy (270) days to restore from the date of the casualty or damage.

B. In the event the Premises are partially [e.g., less than ten percent (10%) of the Premises] damaged or are rendered partially [e.g., less than ten percent (10%) of the Premises] untenable by fire or other casualty, Landlord shall within one hundred eighty (180) days from the fire or casualty repair the area of the Premises damaged in a manner substantially equal to the Premises damaged or destroyed immediately prior to such damage or destruction [except Landlord shall not be required to rebuild, repair or replace any part of the furniture, equipment, trade fixtures and other improvements (including Tenant Improvements, if any) which may have been placed by Tenant (or Landlord on behalf of Tenant) in the Premises]. Such one hundred eighty (180) day period shall be subject to reasonable extensions and delays resulting from acts of God, fire, strikes, lockouts, labor trouble, inability to procure materials by reason of governmental restrictions, riots, insurrection, war or other causes beyond the reasonable control of Landlord. If Landlord does not repair the damage from the casualty within the aforesaid period required hereunder, then Tenant shall have the right (provided Tenant is not in default under the Lease beyond any applicable notice and cure period and Tenant cannot conduct its business operations within the Premises) to elect to cancel the Lease by giving written notice to Landlord, provided such notice states that "Landlord failed to cancel this Lease within the required time period of Section 15 of the Lease and that Landlord's subsequent failure to void Tenant's notice of termination of the Lease within thirty (30) business days of Landlord's receipt of this correspondence shall be deemed Landlord's acceptance of Tenant's termination of the Lease". Accordingly, Landlord can only void Tenant's termination notice by delivery of the Premises in the condition required under this Section within thirty (30) business days of Landlord's receipt of the termination notice. A copy of such notice must be simultaneously sent to Landlord's counsel (or such other parties as Landlord may from time to time designate) in accordance with the notice provisions of the Lease in order for such request to be deemed effective.

C. Notwithstanding anything to the contrary contained in this Section, if any mortgagee under a deed to secure debt, security agreement or mortgage requires the insurance proceeds from a casualty (whether a casualty causes total or partial damage) be applied against the mortgage debt, Landlord shall have no obligation to rebuild and restore (in the case of a casualty causing total or partial damage) and the Lease shall terminate upon notice to Tenant; provided, however, that Landlord shall notify Tenant, within thirty (30) days after any such mortgagee gives a notice to Landlord of such election to apply such proceeds against the mortgage debt, of the fact that such mortgagee has done so. Except as hereinafter provided, any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or to the Premises shall be for the sole benefit of the party carrying such insurance and under its sole control. Tenant hereby waives the provisions of any applicable law and agrees that the provisions of this Section shall control in lieu thereof.

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D. In the event Landlord elects to restore or rebuild as provided for in Subsection A of this Section or restores or rebuilds pursuant to Section B of this Section, it is agreed that this Lease shall continue in full force and effect and Tenant shall promptly repair, restore or replace Tenant's Improvements, trade fixtures, furniture, equipment, signs, and contents in the Premises in a manner and to a condition substantially equal to that existing prior to their damage or destruction, and the proceeds of all insurance carried by Tenant on said property shall be held in trust by Landlord for the purposes of such repair, restoration, or replacement. It is also agreed that during any period of restoration, Tenant will be responsible for the security of its property (including, without limitation, all goods, inventory, equipment) and will be responsible at its sole cost and expense to remove same from the damaged Premises (as directed by Landlord) pending restoration, if necessary; it being understood and agreed that Landlord will have no responsibility or liability with respect thereto if the same remain in any portion of the damaged Premises.

16. Holding Over.

(a) Tenant hereby indemnifies and agrees to defend and hold Landlord harmless from and against any loss, cost, liability, claim, damage, fine, penalty and expense (including reasonable attorneys' fees and disbursements) resulting from delay by Tenant in surrendering the Demised Premises upon the termination of this Lease, including any claims made by any succeeding tenant or prospective tenant or successor landlord founded upon such delay.

(b) If Tenant holds over its possession after the Expiration Date or earlier termination of the Lease Term or following any extended term of this Lease, such holding over shall not be deemed to extend the term of this Lease or renew this Lease. Under no circumstances (i) will such holdover constitute month-to-month tenancy, (ii) shall this Section 16 imply any right of Tenant to remain in the Premises after the expiration or earlier termination of this Lease, (iii) will Landlord be prohibited from exercising any rights permitted by law against a holdover tenant; or (iv) will any monies paid by Tenant or accepted by Landlord (e.g., Rent, holdover rent or otherwise) after the expiration or earlier termination of this Lease be deemed to reinstate any form of tenancy between Tenant and Landlord. In connection with such holdover, Tenant shall pay the following charges for the use and occupancy of the Premises for each calendar month or part thereof (even if such part shall be a small fraction of a calendar month), which total sum Tenant agrees to pay to Landlord promptly upon demand, in full, without set-off or deduction: (i) 1/12 of the highest annual Base Rent set forth in Section 1.8 of this Lease, times one and one-half (1.5); plus (ii) those other items of recurring Additional Rent that would have been payable monthly pursuant to this Lease, had this Lease not expired or terminated. The aforesaid provisions of this Section 16 shall survive the expiration or sooner termination of this Lease.

17. Taxes on Tenant's Property. Tenant shall be liable for all taxes levied or assessed against personal property, furniture or fixtures placed by Tenant in the Premises (herein called "Tenant's Property"). If any such taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of personal property, furniture or fixtures placed by Tenant in the Premises, and Landlord elects to pay the taxes based on such increase, Tenant shall pay to Landlord upon demand that part of such taxes for which Tenant is primarily liable hereunder.

18. Events of Default. The following shall be events of default by Tenant ("Event of Default") under this Lease:

18.1 Tenant shall fail to pay when due any Rent or other sums payable by Tenant hereunder. Notwithstanding the foregoing, with regard to this Section 18.1, Landlord shall provide Tenant with written notice of such default and Tenant shall have ten (10) days after receipt of such notice of default to

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cure such default, provided, however, Landlord shall only be obligated to provide notice of a default under Article 18.1 one (1) time in any calendar year.

18.2 Tenant shall fail to comply with or observe any other provision of this Lease (however, it shall only be an Event of Default after Tenant has received ten (10) days written notice to cure said default [unless said default is not reasonably capable of cure within said period, Tenant must undertake with all diligence, all necessary steps to cure same within said ten (10) days and thereafter continue to diligently pursue said cure to completion] and the aforesaid default has not been cured within the applicable cure period). For purposes of this Section 18.2, such notice to cure shall be sent by certified mail, return receipt requested, to the address set forth in Section 1.3, and such cure period shall be deemed to commence from the date such notice to cure is mailed.

18.3 Tenant or any guarantor of Tenant's obligations hereunder shall make an assignment for the benefit of creditors.

18.4 Any voluntary or involuntary petition shall be filed by or against Tenant or any guarantor of Tenant's obligations hereunder under any section or chapter of the Federal Bankruptcy Act, as amended from time to time, or under any similar law or statute of the United States or any State thereof; or Tenant or any guarantor of Tenant's obligations hereunder shall be adjudged bankrupt or insolvent in proceedings filed thereunder. Notwithstanding the foregoing, the filing of an involuntary petition in bankruptcy shall not constitute an Event of Default, so long as the Tenant has moved within sixty (60) days after such filing to dismiss such involuntary petition, and further provided that such application is thereafter granted by the United States bankruptcy court.

18.5 A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations hereunder, and such trustee or receiver is not vacated or discharged within sixty (60) days.

18.6 Tenant shall desert, abandon or vacate the Premises, unless, as a result of a casualty or other event, in the Landlord's reasonable opinion, the Premises shall not be usable for the permitted use hereunder.

18.7 Any writ of execution, attachment, or garnishment shall be levied against any interest of Tenant in this Lease, the Premises, or any property located in the Premises, unless same shall be discharged within sixty (60) days.

18.8 Tenant takes or fails to take any other action hereunder constituting an Event of Default.

19. Remedies. If there is an Event of Default by Tenant under this Lease, then without any notice or demand to Tenant whatsoever (other than that already given to Tenant under Section 18 herein above, where applicable), Landlord shall have the right (but not any duty) to exercise, on a cumulative basis (but without duplication of any costs or damages), any or all of the following remedies:

19.1 Landlord may continue this Lease in full force and effect and proceed to collect all Rent when due (through a non-payment summary proceeding or other appropriate non-payment legal action).

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19.2 Without prejudice to any other remedy which Landlord may have, Landlord may continue this Lease in full force and effect and may, through an eviction proceeding or otherwise, expel or remove Tenant and any others who may be occupying or within the Premises, to remove any and all property therefrom. In connection therewith, Landlord shall have the right to relet all or any portion of the Premises after securing legal possession of the Premises for Tenant's account. Landlord shall not be required to accept any proposed new tenant offered by Tenant. Tenant shall be responsible to pay to Landlord on demand, as Additional Rent, all costs Landlord incurs in securing possession of the Premises and reletting any portion of the Premises, including, without limitation, brokers' commissions, expenses of repairs and remodeling, reasonable attorneys' fees, and all other actual costs. Reletting may be for a period shorter or longer than the remaining term of this Lease. During the term of any reletting, Tenant shall be responsible to pay to Landlord the Rent due under this Lease on the dates due, less any net rents Landlord receives pursuant to any reletting.

19.3 Landlord may, at any time following such Event of Default, give to Tenant a five (5) days' notice of termination of this Lease and, in the event such notice is given, this Lease and the Lease Term shall come to an end and expire upon the expiration of said five (5) days with the same effect as if the date of expiration of said five (5) days were the Expiration Date of this Lease. Landlord may thereafter repossess the Premises and dispossess Tenant either by summary proceeding or by any other applicable action or proceeding. Any notice given by Owner to Tenant under this Section 19.3 shall be deemed a "ten day notice to quit" under the provisions of Section 713 of the Real Property Actions and Proceedings Law. From and after any such termination, Landlord shall have the right to recover from Tenant all costs, expenses, losses and damages caused by, resulting from or incurred in connection with said Event of Default and/or termination including, but not limited to: (i) an amount equal to all unpaid Rent that had accrued up to the time of termination of this Lease and any subsequent holdover rent that may be due and owing; (ii) an amount equal to (a) the present value of all Base Rent and Additional Rent (assuming that the Additional Rent payable hereunder for the future will be the same as for the most recent Lease Year) which would have accrued under this Lease had this Lease not been terminated, for the period of time between the date of calculation of the amounts due under subparagraph (i) above and the date the Lease Term would have expired if this Lease had not been so terminated; (iii) the amortized cost of any tenant allowance or improvements provided by Landlord, as may be provided for herein, if any; (iv) the value of any free rent granted to Tenant hereunder and (v) an amount equal to any and all damages, consequential and/or incidental, as well as compensatory, sustained by Landlord and reasonably necessary to compensate Landlord for all economic losses proximately caused by Tenant's Event of Default.

19.4 Intentionally Deleted.

19.5 Landlord may cure any Event of Default at Tenant's cost. If Landlord at any time, by reason of Tenant's Event of Default, pays any sum to cure any default, the sum so paid by Landlord shall be immediately due from Tenant to Landlord on demand, and shall bear interest at the Default Rate from the date paid by Landlord until Landlord shall have been reimbursed by Tenant. Said sum, together with interest thereon, shall be Additional Rent.

19.6 Landlord may apply all or part of the Security Deposit, as provided in Section 3.4.

19.7 Landlord may exercise any or all other rights or remedies available at law or equity, including, without limitation, the right to obtain restraining orders, injunctions and decrees of specific performance.

19.8 Landlord may obtain an injunction by any court of competent jurisdiction restraining any threatened breach or any continuing breach of any of Tenant's covenants hereunder.

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Any right granted in this Section 19 to Landlord in the event of an Event of Default by Tenant hereunder shall apply to any extension or renewal of this Lease. No act or thing done by Landlord or Landlord's employees or agents during the Lease Term shall be deemed an acceptance of a surrender of the Premises. No waiver by Landlord of any default of Tenant hereunder shall be implied from any inaction by Landlord on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and then only for the time and to the extent therein stated. The receipt by Landlord of Rent with knowledge of the breach of any covenant of Tenant contained in this Lease shall not be deemed a waiver of such breach. If on the Commencement Date or thereafter during the Lease Term, Tenant shall be in default in the payment of Rent to Landlord pursuant to the terms of any other lease(s) with Landlord or with Landlord's predecessor in interest, Landlord may, at Landlord's option and without notice to Tenant, add the amount of such arrearages to any monthly installment of Base Rent or Additional Rent payable hereunder and the same shall be payable to Landlord as Additional Rent.

20. Attorneys' Fees. Tenant hereby agrees to pay, as Additional Rent, all reasonable attorneys fees and disbursements (and all other court costs or expenses of legal proceedings) which Landlord may reasonably incur or pay out by reason of, or in connection with: (A) any action or proceeding by Landlord against Tenant (including, but not limited to, any arbitration proceeding or summary proceeding), if Landlord is successful in its action; (B) any default by Tenant in the observance or performance of any obligation under this Lease for which Landlord incurs attorney fees and/or disbursements in order to enforce this Lease (i.e., default letter), whether or not Landlord commences any action or proceeding against Tenant, if Landlord is successful in its action; (C) any action or proceeding brought by Tenant against Landlord (or any officer, partner, or employee of Landlord) in which Tenant fails to secure a final unappealable judgment against Landlord; and (D) any other appearance by Landlord (or any officers partner or employee of Landlord) as a witness or otherwise in any action or proceeding whatsoever involving or affecting Landlord, Tenant or this Lease. Tenant's obligations under this Section 20 shall survive the expiration of the Lease Term hereof or any other termination of this Lease. This Section 20 is intended to supplement (and not to limit) other provisions of this Lease pertaining to indemnities and/or attorney's fees.

21. Intentionally Deleted.

22. Liens. Tenant will not permit any lien to be placed upon the Premises or the Project, or any portion thereof or any improvements thereon during the Lease Term caused by or resulting from any repair work, maintenance work or alterations performed, materials furnished or obligation incurred by or at the request of Tenant or claimed to have been performed or furnished for on behalf of Tenant. All persons contracting with Tenant for the construction and installation of improvements to or alteration or repair of the Premises and all materialmen, contractors, mechanics and laborers shall be charged with notice that they must look to Tenant's interest in the Premises only to secure payment of any bill for work done or materials furnished during the Lease Term. In the case of the filing of any such mechanics' or other lien or any notice of intention to file a lien against the Project or any part thereof, Tenant will promptly pay or otherwise discharge the same. If default in payment or discharge thereof shall continue for twenty (20) days after notice thereto from Landlord to Tenant, such shall be an Event of Default and, in addition to any other rights Landlord may have under this Lease, Landlord shall have the right, at Landlord's option, of paying the same without inquiry as to the validity thereof, and any amounts so paid, including expenses and interest at the Default Rate, shall be Additional Rent hereunder due from Tenant to Landlord and shall be repaid to Landlord immediately on demand. Landlord, shall also have the option of applying and using Tenant's Security Deposit to pay such lien, in which case Tenant shall be obligated to restore such Security Deposit in accordance with Section 3.4 herein.

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23. Waiver of Subrogation. In the event the Premises or its contents are damaged or destroyed by fire or other insured casualty, (i) Landlord, to the extent of the coverage of Landlord's policies of fire insurance, hereby waives its rights, if any, against Tenant with respect to such damage or destruction, even if said fire or other casualty shall have been caused, in whole or in part, by the negligence of Tenant, and (ii) Tenant, to the extent of the coverage of Tenant's policies of fire insurance with extended coverage, hereby waives its rights, if any, against Landlord and all additional insureds under such policy(ies) with respect to such damage, or destruction, even if said fire or other casualty shall have been caused, in whole or in part, by the negligence of Landlord; provided, however, such waivers of subrogation shall only be effective with respect to loss or damage occurring during such time as Landlord's or Tenant's policies of fire insurance (as the case may be) shall contain a clause or endorsement providing in substance that the aforesaid waiver of subrogation shall not prejudice the type and amount of coverage under such policies or the right of Landlord or Tenant (as the case may be) to recover thereunder. If, at any time, Landlord's or Tenant's insurance carrier refuses to write insurance which contains a consent to the foregoing waiver of subrogation (or an effectively similar provision), the provisions of this Section shall be null and void as to any casualty which occurs after such notice.

24. Tenant's Insurance.

A. Tenant shall carry (at its sole expense during the Lease Term):

(I) all-risk property insurance, insuring all improvements and alterations in the Premises, whether now existing or hereinafter installed by or on behalf of Tenant and any and all furniture, fixtures, equipment, supplies, inventory, contents and other property owned, leased, held or possessed by Tenant and contained therein. Such insurance shall be in an amount equal to the full replacement cost of such improvements and property, as such may increase from time to time, without deduction for depreciation, providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended peril (all risk), boiler and machinery, flood, glass breakage and sprinkler leakage, and naming Landlord as loss payee as its interest may appear;

(II) worker's compensation and employer's liability insurance required by applicable law; and

(III) commercial general liability insurance on an occurrence basis for injury to or death of a person or persons and for damage to property occasioned by or arising out of any work being done on the Premises, or arising out of the condition, use or occupancy of the Premises, or other portions of the Building, and covering Tenant's indemnification obligations imposed by Section 15 of this Lease, the limits of such policy or policies to be in amounts not less than \$1,000,000.00 in primary liability coverage and \$2,000,000.00 in the generate aggregate (exclusively dedicated to Tenant's operations in the Building; a "per project" aggregate), along with an excess/umbrella liability policy or policies in amounts not less than \$4,000,000.00. All such liability policies shall (a) be written on a form affording coverage which is at least as broad as the current ISO occurrence based form and shall not contain any non-ISO endorsements which serve to restrict coverage; (b) shall contain endorsements which (i) delete any employee exclusion on personal injury coverage, (ii) include employees as additional insureds and (iii) contain cross-liability, waiver of subrogation and such other provisions as Landlord may reasonably require and (c) shall (i) be written to apply to all bodily injury, property damage, personal injury and other covered loss, however occasioned and (ii) shall specifically not contain an electromagnetic field (EMF) exclusion.

B. Landlord retains the right, in its reasonable discretion, to increase the amount and/or types of insurance required to be maintained under this Section 24 by Tenant (to the amounts and/or types of coverage then required by Landlord of tenants entering into new leases in the Building or as being carried by similarly situated tenants in comparable buildings) on not less than thirty (30) days' notice to Tenant and not

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more frequently than annually based on such factors as inflation, Tenant's insurance claims history, the advice of Landlord's insurance advisors and any other relevant factors (but in no event [i] prior to the second [2nd] anniversary of the Lease Term and [ii] by more than \$2,000,000.00 in the aggregate over the remainder of the Lease Term). No insurance policy or policies required to be carried by Tenant will be subject to more than a \$10,000.00 deductible limit without Landlord's prior written consent.

C. All said insurance policies shall be carried with companies licensed to do business in the state in which the Premises are located reasonably satisfactory to Landlord. Tenant shall deliver duly executed certificates of such insurance to Landlord prior to the Commencement Date and shall endeavor to provide renewal certificates at least thirty (30) days prior to the expiration of each respective policy term.

D. Initially, all commercial general liabilities policies (both primary and excess/umbrella policies) shall each name Wells 60 Broad Street, LLC and CRG Management, LLC as additional insureds and provide that it is primary to, and not contributing with, any policy carried by Landlord, Landlord's property manager, or other designated person covering the same loss in connection with this Lease. All coverage for additional insureds shall specifically include coverage for completed operations. Tenant shall be responsible for notifying its insurance carriers in the event of a loss or a potential loss involving any of the additional insureds. In addition, at any time during the Lease Term, Landlord may require Tenant to amend or add any other person or entity, designated by Landlord, as an additional insured on such policy(ies).

E. If Tenant fails to take out or keep in force any insurance required to be carried by Tenant, or to provide evidence of the same, Landlord shall have the right, but shall not be obligated, to obtain such insurance at the sole cost and expense of Tenant, and Tenant shall reimburse Landlord for the cost thereof upon demand. If, due to the failure of Tenant to comply with the foregoing provisions, Landlord is adjudged a co-insurer by its insurance carrier, then any loss or damage Landlord shall sustain by reason thereof shall be borne by Tenant and shall be immediately paid by Tenant upon receipt of a bill therefor from Landlord and evidence of such loss. Landlord makes no representation that the minimum limits of liability specified to be carried by Tenant hereunder are adequate to protect Tenant.

F. In the event of a breach of any insurance procurement obligation under this Lease by Tenant or any of its contractors/subcontractors, Tenant shall pay for the Landlord's (or any other entity that is/should have been included as an additional insured) reasonable attorneys fees, expenses and liability as a result of any claim or lawsuit. Landlord's commercial general liability and excess liability insurers are deemed to be third-party beneficiaries of the insurance procurement obligations herein and in the event of a breach hereof, such insurers will have the same rights as Landlord against Tenant and its contractors as provided in this Lease.

25. Brokerage. CRG REAL ESTATE SERVICES, LLC HAS REPRESENTED LANDLORD IN THIS TRANSACTION AND STUDLEY, INC. HAS REPRESENTED TENANT IN THIS TRANSACTION (COLLECTIVELY "BROKER"). BROKER SHALL BE PAID A COMMISSION BY LANDLORD IN CONNECTION "WITH THIS LEASE, UNDER A SEPARATE AGREEMENT. Tenant warrants that it has had no dealings with any broker or agent in connection with the negotiation or execution of this Lease other than with the brokers specifically identified above, and Tenant agrees to indemnify Landlord

26. **Building Name.** Without the prior written consent of Landlord, Tenant shall not use the words "60 Broad Street" or the name of the Building for any purposes other than as the address of the business to be conducted by Tenant in the Premises. Landlord reserves the right at any time to change the name, number or designation by which the Project is commonly known.

27. **Estoppel Certificates.** Tenant shall furnish from time to time when requested by Landlord or the holder of any deed to secure debt or mortgage covering the Building, the Premises, or any interest of Landlord therein, a certificate (which certificate shall be provided by Landlord at Landlord's expense) signed by Tenant confirming and containing such certifications and representations deemed appropriate by Landlord or the holder of any deed to secure debt or mortgage covering the Building, the Premises or any interest of Landlord therein, and Tenant shall, within ten (10) days following receipt of said certificate from Landlord, return a fully executed copy of said certificate to Landlord. Tenant may, however, deliver the certificate to Landlord with changes to the representations contained therein in the event Tenant reasonably believes said changes are true and correct. If Tenant fails to return a fully executed copy of such certificate to Landlord within said period, (i) Tenant shall have approved and confirmed all of the provisions contained in such certificate and (ii) such failure shall be an Event of Default; Landlord reserving the right to exercise any further rights or remedies available to it under the Lease, at law or equity by reason of Tenant's Event of Default hereunder.

28. **Notices.** Each provision of this Lease, or of any applicable laws, ordinances, regulations, and other requirements with reference to the sending, mailing or delivery of any notice, or with reference to the making of any payment by Tenant to Landlord, shall be deemed to be complied with when and if the following steps are taken:

28.1 Except as may be set forth in Section 3.2 herein, all Rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at Landlord's Address set forth in Section 1.5, to the attention of *Accounts Receivable Clerk*, or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith.

28.2 Except as may be otherwise expressly provided in this Lease, notices by either party to the other shall be in writing and shall be sent by registered or certified mail, by overnight mail by a reputable overnight delivery service or by hand delivery, addressed to Landlord or Tenant at their respective addresses herein above set forth in Section 1.3 and Section 1.5 or to such other address as either party shall hereafter designate by notice as aforesaid. All notices properly addressed shall be deemed served upon receipt by the addressee or, in the case of notice by certified or registered mail, three (3) days after the date of mailing, except that notice of change of address shall not be deemed served until received by the addressee. A copy of any and all notices to Landlord shall also be sent to: Eric Samer, Esq., 1330 Avenue of the Americas, 23rd Floor, New York, New York 10019. A copy of any and all notices to Tenant shall also be sent to: Mark Skolnick, Esq., Platzer, Swergold, 1065 Avenue of the Americas, 18th Floor, New York, NY 10018

29. **Force Majeure.** Any prevention, delay or stoppage of work or other obligation to be performed by Landlord or Tenant which is due to strikes, labor disputes, inability to obtain labor, materials, equipment or reasonable substitutes thereof, acts of nature, governmental restrictions or regulations or controls, judicial orders, enemy or hostile government actions, civil commotion, fire or other casualty, or other causes beyond the control of either Landlord or Tenant, as the case may be, shall forgive the performance of the work by that party for a period equal to the duration of that prevention, delay or stoppage. Nothing in this Article 29 shall excuse or delay Tenant's obligation to pay Rent or other charges under this Lease, except as expressly provided for otherwise in this Lease.

30. **Severability.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the Lease Term, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

31. **Amendments; Binding Effect.** This Lease may not be altered, changed or amended, except by instrument in writing signed by both parties hereto. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver be in writing signed by Landlord and addressed to Tenant, nor shall any custom or practice which may evolve between the parties in the administration of the terms hereof be construed to waive or lessen the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. The terms and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided.

32. **Quiet Enjoyment.** Landlord covenants and agrees with Tenant that upon Tenant's paying Rent and observing and performing all of the terms, covenants and conditions on Tenant's part to be performed, Tenant may peacefully and quietly enjoy the Premises hereby demised for the Lease Term, subject to the terms and conditions of this Lease.

33. **Gender.** Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

34. **Joint and Several Liability.** If there is more than one party to this Lease as Tenant, the obligations hereunder imposed upon Tenant shall be joint and several. If there is a guarantor of Tenant's obligations hereunder, the obligations hereunder imposed upon Tenant shall be joint and several obligations of Tenant and such guarantor and Landlord need not first proceed against Tenant before proceeding against such guarantor nor shall any such guarantor be released from its guaranty for any reason whatsoever, including without limitation, in case of any amendments hereto, waivers hereof or failure to give such guarantor any notices hereunder.

35. **Captions.** The captions contained in this Lease are for convenience of reference only and in no way limit or enlarge the terms and conditions of this Lease.

36. **Exhibits and Attachments.** All exhibits, attachments, riders and addenda referred to in this Lease are incorporated into this Lease and made a part hereof for all intents and purposes. The special provisions attached hereto as Exhibit D, if any, shall control if in conflict with any of the terms of this Lease.

37. No Joint Venture. Landlord and Tenant are not and shall not be deemed to be partners or joint venturers with each other.
38. Intentionally Deleted.
39. Evidence of Authority. Tenant and Landlord each covenants, warrants and represents that (i) each individual executing, attesting and/or delivering this Lease on behalf of Tenant and Landlord is authorized to do so on behalf of Tenant and Landlord; (ii) this Lease is binding upon Tenant and Landlord; and (iii) Tenant and Landlord are duly organized and legally existing in the state of its organization and is qualified to do business in the state in which the Premises are located.

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40. Governing Law. This Lease shall be construed and interpreted in accordance with and governed by the laws of the state in which the Premises are located.
41. Landlord's Managing Agent. Tenant agrees that all of the representations, warranties, waivers and indemnities made in this Lease by Tenant for the benefit of Landlord shall also be deemed to inure and to be for the benefit of CRG Management, LLC, its officers, directors, employees and independent contractors, except that the foregoing shall not permit CRG Management, LLC, its officers, directors, employees and independent contractors to assert, in lieu of Landlord, any independent cause of action against Tenant based on representations, made in this Lease by Tenant for the benefit of Landlord. However, nothing in the foregoing shall be deemed to prevent CRG Management, LLC, its officers, directors, employees and independent contractors from asserting same in an action against Tenant.
42. Exculpation. The term Landlord as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Landlord's interest in the Project. Tenant acknowledges and agrees, for itself and its successors and assigns, that no trustee, director, officer, employee or agent of Landlord shall be personally liable for any of the terms, covenants or obligations of Landlord hereunder, and Tenant shall look solely to Landlord's interest in the Project for the collection of any judgment (or enforcement or any other judicial process) requiring the payment of money by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed or performed by Landlord and no other property or assets of Landlord shall be subject to levy, execution or other enforcement procedures for the satisfaction of any obligation due Tenant or its successors or assigns.
43. Covenants are Independent. Each covenant of Landlord and Tenant under this Lease is independent of each other covenant under this Lease, and no default by either party in performance of any covenant shall excuse the other party from the performance of any other covenant.
44. Building Directory. At the written request of Tenant, Landlord shall list on the Building's directory the name of Tenant, any trade name under which Tenant has the right to operate, any other entity permitted to occupy any portion of the Premises pursuant to the terms of this Lease, and the officers and employees of each of the foregoing entities, provided the number of names so listed does not exceed the Tenant's Percentage of the capacity of such directory. If requested by Tenant, Landlord may (but shall not be required to) list the name of Tenant's subsidiaries and affiliates; however, the listing of any name other than that of Tenant shall neither grant such party or entity any right to interest in this Lease or in the Premises nor constitute Landlord's consent to any assignment or sublease to, or occupancy of the Premises by such party or entity. Except for the name of Tenant, any such listing may be terminated by Landlord, at any time, without notice.
45. Hazardous Materials.

45.1 Tenant shall not cause or permit any Hazardous Material (as defined in Subsection 45.2 below) to be brought, kept or used in or about the Project by Tenant, its agents, employees, contractors or invitees. Tenant hereby indemnifies Landlord from and against any breach by Tenant of the obligations stated in the preceding sentence, and agrees to defend and hold Landlord harmless from and against any and all loss, damage, cost and/or expenses (including, without limitation, diminution in value of the Project or any portion thereof, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Building, damages arising from any adverse impact on marketing of space in the Building, and sums paid in settlement of claims, attorneys' fees, consultant fees, and expert fees) which arise during or after the Lease Term as a result of such breach. This indemnification of Landlord by Tenant also includes, without limitation, costs incurred in

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connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Building which results from such a breach. Without limiting the foregoing, if the presence of any Hazardous Material caused or permitted by Tenant results in any contamination of the Project, Tenant shall promptly take all actions at its sole expense as are necessary to return the Project to the conditions existing prior to the introduction of such Hazardous Material; provided that the Landlord's approval of such actions, and the contractors to be used by Tenant in connection therewith, shall first be obtained. Notwithstanding anything to the contrary contained in the foregoing, if there are presently any asbestos or lead-based paint in the Premises which is in violation of any applicable law, rule or regulation or if any work performed by Landlord, if any, causes or results in asbestos to become in violation of any applicable law, Landlord shall remove, at its sole cost and expense, said asbestos or lead-based paint or take such steps to make the asbestos comply with all applicable laws, rules or regulations and other requirements relating to any asbestos or lead-based paint, which are imposed by any governmental authority ("Requirements") as of the Commencement Date. Tenant, however, shall be responsible, at Tenant's own cost and expense, to comply with Requirements relating to Hazardous Materials that are hereafter imposed by any governmental authority, insofar as the same affect the Demised Premises, Tenant further agrees, however, that in the event any Tenant's Work performed at anytime (including any initial installation set forth in Exhibit "E" herein) causes or results in said asbestos to be in violation of an applicable law, rule or regulation, Tenant shall immediately remove, at its sole cost and expense, said asbestos or take such steps to make the asbestos comply with the applicable Requirement.

45.2 As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material (including asbestos or asbestos containing material), or waste which is or becomes regulated by any local governmental authority or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" or similar term under the law of the jurisdiction where the property is located, or (ii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. '1317), (iii) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 47 U.S.S. '6901 et seq. (42 U.S.C. ' 6903), or (iv) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. '9600 et seq. (42 U.S.C. '9600).

45.3 As used herein, the term “Laws” means any applicable federal, state, or local laws, ordinances, or regulation relating to any Hazardous Material affecting the Project, including, without limitation, the laws, ordinances, and regulations referred to in Subsection 45.2 above.

45.4 Landlord and its employees, representatives and agents shall have access to the Premises during reasonable hours and upon reasonable notice to Tenant in order to conduct periodic environmental inspections and tests of Hazardous Material contamination of the Building.

45.5 Intentionally Deleted.

45.6 Tenant shall, at Tenant’s sole cost and expense, inspect the Premises for asbestos and asbestos containing material prior to possession of the Premises and comply with all rules, regulations and requirements of all governmental and quasi-governmental authorities having jurisdiction of the Building and/or the Land, with respect to asbestos or asbestos containing materials.

45.7 Tenant agrees to comply with the terms and conditions of Exhibit “H” attached to this Lease and such signed documents shall be incorporated by reference into this Lease.

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46. Effect of Conveyance. If Landlord shall sell or lease the Building, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed (without further agreement between the parties hereto or between the parties to such conveyance) that the purchaser or lessee of the Building has assumed and agreed to carry out all the obligations of Landlord hereunder, provided such purchaser or lessee of the Building assumes, in writing, the obligations of Landlord hereunder.

47. Guaranty. The obligations of the Tenant under this Lease have been guaranteed by William J. Bonfanti, Michael N. Romano, William J. Bonfanti, Jr. and Craig A. Rothfeld in accordance with a separate agreement of guaranty, a copy of which is annexed hereto as Exhibit “F”. The terms and provisions of this Section and Exhibit F are expressly made to survive the end of the term of this Lease.

48. Waiver of Right of Redemption. Tenant, for itself and all persons claiming through or under Tenant, hereby expressly waives any and all rights which are or may be conferred upon Tenant by any present or future law to redeem the Premises, or to any new trial in any action or ejection under any provision of law, after re-entry thereupon by Landlord, or after any warrant to dispossess or judgment in ejection. If Landlord shall acquire possession of the Premises by summary proceedings or in any other lawful manner without judicial proceedings, it shall be deemed a “re-entry” as that term is used herein.

49. Waiver of Trial by Jury / Counterclaims. TO THE EXTENT PERMITTED BY LAW, LANDLORD AND TENANT MUTUALLY HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BETWEEN THE PARTIES HERETO OR THEIR SUCCESSORS OR ASSIGNS ON ANY MATTERS ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, AND/OR TENANT’S USE OR OCCUPANCY OF THE PREMISES. TENANT FURTHER AGREES THAT IT SHALL NOT INTERPOSE ANY COUNTERCLAIM OR COUNTERCLAIMS (EXCEPT FOR COMPULSORY OR STATUTORY COUNTERCLAIMS) IN A SUMMARY PROCEEDING OR IN ANY ACTION BASED UPON NON-PAYMENT OF RENT OR ANY OTHER REASON WHATSOEVER. THIS WAIVER IS MADE FREELY AND VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER EACH OF THE PARTIES HERETO HAS HAD THE BENEFIT OF ADVICE FROM LEGAL COUNSEL.

50. Interpretation. Should any provisions of this Lease require judicial interpretation, it is agreed that the court interpreting or construing the same shall not apply a presumption that the terms of any such provision shall be more strictly construed against one party or the other by reason of the rule of construction that a document is to be construed most strictly against the party who itself or through its agent prepared the same, it being agreed that the agents of all parties hereto have participated in the preparation of this Lease.

51. No Recordation of Lease. Without the prior written consent of Landlord, neither this Lease nor any memorandum hereof shall be recorded or placed on public record.

52. Electricity.

A. Subject to the provisions of this Section 52, Landlord shall provide redistributed electricity to the Premises hereunder on a submetered basis, and Tenant agrees to pay Landlord for same as Additional Rent at charges for such computed in the manner hereinafter described, to wit, a sum equal to Landlord’s cost for such electricity (“Landlord’s Cost”) plus eight (8%) percent thereof. Landlord’s Cost for such redistributed electricity shall be equal to (a) Landlord’s cost for the relevant billing period as hereinafter defined (“Landlord’s Cost Rate”) multiplied by Tenant’s electricity consumption for the relevant billing period as hereinafter defined (“Tenant’s Electrical Consumption”) measured and calculated as hereinafter provided (but never less than Landlord’s actual cost for the electricity so redistributed), and (b) any and all taxes paid by Landlord (except and to the extent that an exemption from sales tax applies). In addition, Tenant shall

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reimburse Landlord hereunder for the actual out-of-pocket costs incurred by Landlord for measuring, calculating and reporting Tenant’s electricity charges, including the fees of an electrical consultant (“Consultant Costs”).

Landlord’s Cost Rate shall mean the average cost for the Building electrical usage calculated on a kilowatt hour (i.e., “KWH”) and kilowatts (i.e., “KW”) basis, and shall be determined as follows: (i) the total dollar amount billed to Landlord by the public utility and/or service providers for the building’s consumption for the relevant billing period for energy (i.e., “KWH”) shall be divided by the total kilowatt hours consumed by the building for that billing period, carried to six decimal places, and (ii) the total dollar amount billed to Landlord by the public utility and/or service providers for the relevant billing period for demand (i.e., “KW”) for the building’s demand for such billing period, shall be divided by the total demand (kilowatts) of the building for such billing period, carried to six decimal places. Tenant’s Electrical Consumption shall mean the total KWH and KW used by Tenant at the Premises measured by meters or submeters installed to measure same. Where more than one meter measures the service of Tenant in the Building, the service rendered through each meter may be computed and billed conjunctively in accordance with the rates herein specified.

Tenant shall use the existing quad logic submeters in the Premises to measure Tenant’s Electrical Consumption. Tenant shall be responsible, at its sole cost and expense, for the maintenance, repair and replacement of said submeters. Bills therefor shall be rendered at such times as Landlord may elect, and the

amount shall be deemed to be, and shall be paid as Additional Rent as provided for in this Lease. If any tax is imposed upon Landlord's receipt from the resale of electrical energy to Tenant by any Federal, State or Municipal authority, Tenant covenants and agrees that, where permitted by law, Tenant's share of such taxes based upon its usage and demand shall be passed on to, and shall be included in the bill of, and shall be paid by Tenant to Landlord (provided, however, that sales tax shall not be so included and paid by Tenant in the event that Tenant files with Landlord an appropriate certificate of exemption from sales tax). Any dispute regarding any Additional Rent payable under the provisions of this Section 52 shall be resolved by arbitration in accordance with the provisions of the paragraph below.

In the event that all or part of the meters, or system by which Landlord measures Tenant's consumption of electricity within any portion of the Premises hereunder (the "Submetering System"), shall fail to be operational, installed or otherwise malfunction, (a) Landlord, through an independent, electrical consultant selected by Landlord, at Landlord's and Tenant's cost and expense, shall estimate the readings that would have been yielded by said Submetering System as if the malfunction had not occurred, on the basis of Tenant's prior usage and demand and the lighting and equipment installed within such space and (b) Tenant shall utilize such estimated readings and the bill rendered based thereon shall be binding and conclusive on Tenant unless, within ninety (90) days after receipt of such a bill, Tenant challenges, in writing to Landlord, the accuracy or method of computation thereof. If, within ninety (90) days of Landlord's receipt of such a challenge, the parties are unable to agree on the amount of the contested bill, the controlling determination of same shall be made by an independent electrical consultant agreed upon by the parties using "baseball" arbitration. The determination of such electrical consultant shall be final and binding on both Landlord and Tenant. Pending such controlling determination, Tenant shall timely pay Additional Rent to Landlord in accordance with the contested bill. Tenant shall be entitled to a prompt refund from Landlord, or shall make prompt additional payment to Landlord, in the event that the electrical consultant determines that the amount of a contested bill should have been other than as reflected thereon.

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If all or part of the submetering Additional Rent payable in accordance with this Article becomes uncollectible or reduced or refunded by virtue of any law, order or regulations, the parties agree that, at Landlord's option, in lieu of submetering Additional Rent, and in consideration of Tenant's use of the Building's electrical distribution system and receipt of redistributed electricity and payment by Landlord of consultant's fees and other redistribution costs, the Base Rent rate(s) to be paid under this Lease shall be increased by an "alternative charge" which shall be a sum equal to Landlord's cost thereof, plus eight (8%) percent thereof [or the maximum such percentage then permitted by law but not more than eight (8%) percent].

B. Tenant's use of electric energy in the Demised Premises shall not at any time exceed that portion of the capacity allocable to Tenant of (i) the existing feeders to the Building or the electricity available to Tenant through then existing risers or wiring installations to the Premises or (ii) any of the electrical conductors, machinery and equipment in or otherwise serving the Demised Premises (in any event, giving due consideration to the needs of existing and potential tenants using the same risers, wiring installations or other equipment, as well as to Landlord's electrical needs in connection with the operation of the Building and the provision of emergency services), and in any event no greater than 10.2 watts per rentable square foot (inclusive of HVAC). In order to ensure that such capacity is not exceeded, Tenant agrees not to connect any additional electrical equipment, fixtures, machinery or appliances of any type to the Building electric distribution system, other than lamps, small photocopiers, telecopiers, personal computers, printers, typewriters and other small office machines which consume comparable amounts of electricity, without Landlord's prior written consent. Any additional risers, feeders, or other equipment proper or necessary to supply Tenant's electrical requirements, upon written request of Tenant, will be installed by Landlord (or, at Landlord's option, by Tenant) at the sole cost and expense of Tenant, if, in Landlord's sole judgment, the same will not interfere with Landlord's present or anticipated future electrical needs with respect to the Building and/or existing or future tenants of the Building or cause permanent damage or injury to the Building or entail excessive or unreasonable alterations or interfere with or disturb other tenants. In the event that any additional risers, feeders, or other equipment are installed to supply Tenant's electrical requirements, (i) any such installation shall be done in accordance with the provisions of this Lease with respect to Tenant's Work (as provided for in Article 54) and (ii) Tenant shall, at its sole cost and expense, be responsible for connecting any such additional risers, feeders, or other equipment to the Submetering System and, if necessary, installing additional meters or submeters for same. As a condition to granting such consent, Landlord may require that Tenant agree to an increase in the Base Rent by an amount which will reflect the additional service to be furnished by Landlord, that is, the potential electric energy (connected load) to be made available to Tenant based upon the estimated additional capacity of such additional risers or other equipment. Such increase shall be determined on the basis of the value of furnishing and installing any additional equipment or electrical facilities.

C. Landlord reserves the right to discontinue furnishing electric energy to Tenant at any time upon not less than sixty (60) days' written notice to Tenant, and from and after the effective date of such termination, Landlord shall no longer be obligated to furnish Tenant with electric energy. If Landlord exercises such right of termination, this Lease shall remain unaffected thereby and shall continue in full force and effect, and thereafter Tenant shall diligently arrange to obtain electric service directly from the public utility company servicing the Building, and may utilize the then existing electric feeders, risers and wiring serving the Demised Premises to the extent that they are available and safely capable of being used for such purpose and only to the extent of Tenant's then authorized connected load. Landlord shall not be obligated to pay any part of the cost required for Tenant's direct electric service. Notwithstanding anything to the contrary set forth above, in no event shall Landlord discontinue furnishing electric energy to Tenant until such time as Tenant has obtained electric service directly from the public utility company servicing the Building, unless Tenant has not acted diligently in its efforts to obtain such service.

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D. Landlord may, at Landlord's option, furnish, install and replace all light bulbs, light fixtures, tubes, lamps, starters, and ballasts required in the Premises and Tenant shall pay to Landlord (or its designated contractor) upon demand the then established charges therefor as Additional Rent.

E. If any tax is imposed upon Landlord with respect to electrical energy furnished as a service to Tenant by any Federal, State, or Municipal Authority, Tenant covenants and agrees that where permitted by law or applicable regulations, Tenant's pro-rata share of such taxes shall be reimbursed by Tenant to Landlord.

F. Landlord shall not in any way be liable or responsible to Tenant for any loss, damage or expense which Tenant may sustain or incur if: (i) the supply of electricity to the Demised Premises is interrupted; (ii) the quantity or character of electricity is changed or is no longer available or suitable for Tenant's requirements; or (iii) Tenant objects to, is inconvenienced by or otherwise affected by any requirement of the public utility company serving the Building. Tenant will comply with the general rules, regulations, terms, conditions and requirements of the public utility supplying electricity to the Building that may now or hereafter be applicable thereto. Tenant shall enter into such modifications of this Lease as Landlord may from time to time request in connection with any requirement of any public utility or any requirement of law pertaining to electrical consumption or service, or charges therefor.

53. **Bankruptcy.** Tenant covenants and agrees that without limiting any of the provisions of this Lease, if, pursuant to the United States Bankruptcy Code of 1978, as the same be amended, Tenant (or Tenant's trustee or other representative) elects to assume or is permitted to assign this Lease, then adequate assurance of future performance by the Tenant or assignee, as required under such Code shall mean at least the deposit of additional cash lease security with

Landlord in an amount equal to the sum of six month's Base Rent then reserved hereunder (in addition to the Security Deposit then being held by Landlord), and all Additional Rent payable under this Lease for the calendar year preceding the year in which such assignment or assumption is intended to become effective, which deposit shall be held and applied by Landlord pursuant to the provisions of Section 3.4 hereof. If Tenant receives or is to receive any valuable consideration, after deducting therefrom (a) the brokerage commissions, if any, and other expenses reasonably incurred by Tenant for any such assignment and (b) any portion of such consideration reasonably designated by the assignee as paid for the purchase of Tenant's property in the Premises, such consideration shall be paid over to Landlord directly by such assignee. The term "adequate assurance" as used in this Section 53 also shall mean that any such assignee of this Lease shall have a net worth, exclusive of good will, equal to at least fifteen (15) times the aggregate of one year's Base Rent then reserved hereunder plus all Additional Rent for the preceding calendar year as aforesaid.

54. Tenant's Work.

A. Prior to Tenant's commencing any work in the Demised Premises or the Building (including, without limitation, any structural work or work relating to the Building's systems in the Demised Premises), Tenant shall submit to Landlord for Landlord's written approval, which approval shall not be unreasonably withheld or delayed, all architectural and engineering drawings, plans and specifications (herein collectively referred to as "Tenant's Plan") for or in connection with the improvements, installations, additions, alterations and decorations to be made by Tenant (herein collectively referred to as "Tenant's Work"). Tenant shall also submit to Landlord for its written approval a list of contractors, subcontractors, architects, engineers and consultants (collectively, "Tenant's Contractors") and copies of contracts and subcontracts for Tenant's Work ("Tenant's Contracts"). Landlord's approval of Tenant Contracts shall not be unreasonably withheld or delayed; provided, however, that Landlord may withhold its approval if labor is employed that is not harmonious or compatible with the labor employed by Landlord at the Building. Tenant's Plan shall be fully detailed, shall show complete dimensions, shall not require any changes in the structure of the Building and

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shall not be in violation of any laws, orders, rules or regulations of any governmental department or bureau having jurisdiction of the Project. However, notwithstanding anything to the contrary contained in this Lease, Landlord's approval of Tenant's Plan shall not be construed to mean that Tenant's Plan is, or that the alterations/improvements will be, in compliance with applicable law; that being Tenant's sole responsibility. Tenant shall also be responsible to insure that all Tenant's Contracts incorporate the necessary provisions of this Lease so that Tenant and Tenant's Contractors are in full compliance with the terms herein. In no event shall Landlord's review and approval of Tenant's Contracts be deemed an approval of the terms contained (or not contained) therein. Any review or approval by Landlord of Tenant's Plan is solely for Landlord's benefit and without any representation or warranty whatsoever to Tenant with respect to the adequacy, correctness or efficiency thereof or otherwise. Notwithstanding anything to the contrary contained in the foregoing, Landlord's consent shall not be required for decorative or non-structural work of Tenant (other than non-structural work which by applicable law requires a permit or which affects any Building system or structure for which said non-structural work shall require Landlord's consent) costing less than \$75,000.00 in the aggregate, which does not affect any Building systems or structure of the Building and for which does not require governmental signoffs. However, Landlord must receive no less than ten (10) business days written notice of said decorative or non-structural work along with Tenant's Plan, Tenant's Contracts and proper certificates of insurance from the Tenant's Contractor's.

B. Within ten (10) business days after submission to Landlord of Tenant's Plan and Tenant's Contracts, Landlord shall either approve same or shall set forth in writing the particulars in which Landlord does not approve same, in which latter case Tenant shall, within twenty (20) days after Landlord's notification, return to Landlord appropriate corrections thereto. Such corrections shall, once again, be subject to Landlord's review and approval. Tenant shall pay to Landlord or Landlord's architect any reasonable charges or expenses Landlord may incur in reviewing Tenant's Plan and Tenant's Contracts and/or insuring compliance therewith.

C. Tenant further agrees that Tenant shall not make any changes in Tenant's Plan or Tenant's Contracts subsequent to approval by Landlord unless Landlord consents to such changes, in writing; Landlord having the right to refuse to consent to any such changes if in the reasonable judgment of Landlord or Landlord's architect, such changes materially deviate from Tenant's Plan theretofore approved by Landlord or otherwise violate the terms of this Lease. Tenant shall pay to Landlord all costs and expenses Landlord may incur or sustain as a result of such changes. Any charges payable under this Section C or the preceding Section B shall be paid by Tenant from time to time upon demand as Additional Rent, whether or not the Commencement Date has occurred.

D. Following compliance by Tenant with its obligations under the foregoing Sections and approval of Tenant's Plan and Tenant's Contracts by Landlord, Tenant shall commence Tenant's Work and it shall proceed diligently with same, in order to complete same with reasonable promptness using new first class materials and in a good and workmanlike manner.

E. Tenant agrees that in the performance of Tenant's Work (a) neither Tenant, Tenant's Contractors nor its respective agents or employees shall interfere with the work being done by Landlord and its contractors, agents and employees, (b) that Tenant shall comply with any reasonable work schedule, rules and regulations proposed by Landlord, its agents, contractors or employees, (c) that the labor employed by Tenant and Tenant's Contractors shall be harmonious and compatible with the labor employed by Landlord in the Building, it being agreed that if in Landlord's judgment the labor is incompatible Tenant shall forthwith upon Landlord's demand withdraw such labor from the Building, (d) that prior to commencing Tenant's Work, Tenant and Tenant's Contractors shall procure and deliver to Landlord worker's compensation, commercial general liability and such other insurance policies, in such amounts as shall be reasonably acceptable to Landlord in connection with Tenant's Work, and shall cause Landlord, its managing agent, and any holder of a

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mortgage and lessor under a superior lease (e.g., ground lease) to be named as an insured thereunder, (e) that prior to commencing Tenant's Work, Tenant shall obtain the necessary consents, permits, authorizations and licenses from municipal or any other government authorities having jurisdiction of the Building or Premises necessary for Tenant's operations, improvements and alterations and that no work shall be started or equipment installed unless and until all necessary consents, permits, authorizations and licenses shall have been obtained by Tenant and/or Tenant's Contractors, (f) that Tenant shall defend and hold Landlord harmless from and against any and all claims arising from or in connection with any act or omission of Tenant, Tenant's Contractors or their respective agents, contractors and employees, in connection with Tenant's Work (g) that Tenant's Work shall be performed in accordance with the approved Tenant's Plan and in compliance with the laws, orders, rules and regulations of any governmental department or bureau having jurisdiction of the Demised Premises, (h) that Tenant and/or Tenant's Contractors obtain all required signoffs from the applicable governmental department or bureau and do all further work necessary to obtain same (e.g., air balancing of HVAC system) [the failure to obtain such signoffs under this section (h) being an Event of Default hereunder]; and (i) that Tenant promptly shall pay for Tenant's Work in full, to the extent payable under any contract with respect to Tenant's Work between Tenant and any third party hereunder (including Tenant's Contracts), and to the extent that such payment is not the responsibility of Landlord, Tenant shall provide for the removal and/or bonding of any lien to attach to the Demised Premises or the Land and/or Building (such requirement being subject to all the terms set forth in Section 22 herein).

F. In the event that the “hard” cost of any of Tenant’s Contracts shall exceed \$50,000,00, in addition to complying with all other provisions hereof, Tenant shall ensure that such Tenant Contract is in assignable form, providing for the completion of all work, labor and materials necessary to complete Tenant’s Work in accordance with Tenant’s Plan; to be effective upon any termination of this Lease or upon Landlord’s re-entry upon the Premises following an Event of Default prior to the complete performance of such Tenant’s Contract.

G. Tenant shall (or require Tenant’s Contractors to) submit a set of “as built” construction documents to Landlord within 120 days of completion of Tenant’s Work. Failure to deliver such documents shall be an Event of Default following ten (10) days written notice to Tenant and failure to submit such “as built” within said period.

H. Tenant’s Work will not be considered complete until all required governmental signoffs and permits (including, without limitation, Department of Buildings, fire alarm, plumbing, mechanical, electrical, sprinkler, signage, equipment use permits and public assembly permits) are filed with the Department of Buildings and all controlled inspection of air conditioning systems are made. Notwithstanding anything to the contrary contained in this Lease, in the event Landlord is holding funds pursuant to a Tenant Improvement Allowance (as may be hereinafter defined), Landlord shall retain ten percent (10%) of any distribution of the Improvement Allowance to Tenant (or Tenant’s Contractor, as the case may be) by retaining ten percent (10%) of each invoice presented to Landlord for work performed and/or costs expended and to be covered by such Improvement Allowance until all required signoffs and permits, as set forth herein, are obtained.

I. In the event of any conflict between this Section 54 and Exhibit “E” attached hereto, if applicable, the terms of this Section 54 shall be superceded by the terms of Exhibit “E”.

J. (1) Tenant, at its sole cost and expense, immediately after the Commencement Date of this Lease, shall obtain all necessary permits and approvals to commence to do, and thereafter diligently and in good faith, complete, all work and make all installations and repairs, if any, necessary to enable it to conduct its business in the Demised Premises and shall equip the Demised Premises with all trade fixtures, personal property, facilities, conduit(s), furniture and equipment necessary to the regular and normal

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operation of its business. The foregoing work shall be performed in accordance with the terms and conditions of this Lease applicable to Tenant’s Work.

(2) Subject to the conditions appearing at the conclusion of this Article 54J(2), Landlord agrees to provide Tenant an improvement allowance for the Premises of up to One Hundred Ninety-Four Thousand Nine Hundred Twenty-Five Dollars (\$194,925.00) (“Improvement Allowance”) to be applied against any hard costs and expenses incurred or expended for construction of Tenant’s initial buildout of the Premises (“Tenant’s Initial Buildout”). Notwithstanding the foregoing, up to Sixty Thousand Dollars (\$60,000,00) of the Improvement Allowance may be expended by Tenant on “soft costs” (e.g., architectural, engineering, filing and permit fees) expended for construction of Tenant’s Initial Buildout. The Improvement Allowance shall be paid by Landlord to Tenant’s contractor, materialmen or supplier, as applicable, within thirty (30) days of presentation to Landlord of (i) invoices for the work performed; (ii) a letter signed by an authorized officer of the Tenant stating that the work has been performed correctly and that the amount billed is as provided for in the Tenant’s construction contract with the contractor submitting the bill; (iii) certification by Landlord’s or Tenant’s architect, at Landlord’s option, that said work has been completed in accordance with the plans approved by Landlord and all contracts between Tenant and the contractors, (iv) a General Release or Lien Waiver signed by the Contractor(s) and subcontractor(s) of Tenant who have performed the work for which they are being compensated and (v) copies of any contract between Tenant and their contractor or subcontractor for which a distribution is requested. Landlord does not act as the guarantor of any work performed by any contractor employed by Tenant nor shall Landlord be responsible, either directly or indirectly, for any work performed by said contractor or subcontractor. In order for any of the Improvement Allowance to be applied to any hard costs and expenses incurred or expended for the construction of Tenant’s Initial Buildout as provided above, all such hard costs and expenses shall be expended, or a work order relating thereto shall have been finalized, on or before December 31, 2005 [which date may be extended for up to thirty (30) days due to force majeure].

55. Cleaning/ Security Service.

A. Tenant agrees that it will independently contract (with a contractor reasonably approved by Landlord) for the removal of all rubbish, refuse, garbage and waste from the Demised Premises other than ordinary quantities thereof. The removal of such rubbish, refuse, garbage and waste shall be subject to such rules and regulations as, in the reasonable judgment of Landlord, are necessary for the proper operation of the Building, provided the same are uniform, and nondiscriminatory. Tenant further agrees not to permit the accumulation (unless in concealed metal or plastic containers) of any rubbish or garbage in, on or about any part of the Demised Premises and not to permit any garbage or rubbish to be stored, collected or disposed of from the Demised Premises other than during the hours from 7:00 p.m. to 6:00 a.m. All of Tenant’s garbage and refuse shall be stored in a designated storage area within the Demised Premises, Tenant shall not encumber or obstruct, or permit to be encumbered or obstructed, the street and sidewalk adjacent to or abutting upon the Demised Premises. Tenant also agrees that no supplies or deliveries, nor any of Tenant’s refuse or rubbish, shall be kept or permitted to be kept in any area outside of the Demised Premises.

B. Tenant covenants that Tenant shall, at its own cost and expense, keep the Demised Premises free and clear of any odor, rats, mice, insects and other vermin. If, in Landlord’s reasonable judgment, Tenant shall fail to prevent such odors and/or infestation, Landlord may, but shall not be obligated to, employ an exterminator or other service, and the cost and expense incurred by Landlord for such exterminator or other service shall be repaid to Landlord by Tenant, on demand, and such amounts so repayable shall be considered as Additional Rent.

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C. Landlord shall have a security guard and/or attendant in the Building at all times, At any time, Tenant shall comply with and Landlord shall have the right to implement (or change, as applicable) any procedure and/or to take such reasonable measures as Landlord deems advisable for the security of the Building and its occupants.

56. Incentive Programs.

56.1. Tenant and Landlord hereby acknowledge that each party has entered into this Lease with the expectation that either party may qualify for and receive (as applicable and as the case may be) certain benefits in connection with the following programs (collectively, the “Incentive Programs”): (i) Title 4 of Article 4 of the New York Real Property Tax Law (herein called the “Commercial Revitalization Program”); (ii) the Industrial and Commercial Incentive

Program (the “ICIP”); (iii) the BIR; (iv) the LMEP; and (v) any other similar or dissimilar programs for which either Landlord or Tenant or all or any portion of the Project may qualify at any time or times during the Lease Term. Landlord and Tenant hereby agree to (x) promptly execute and file any necessary applications, certifications or other documents (including, but not limited to, the preparation, on an annual basis, of a report to the City of New York verifying its compliance with the provisions the Commercial Revitalization Program); (y) follow all required procedures within any applicable time limitations and (z) provide each other with such further cooperation as may reasonably be requested by the other party (collectively, “Incentive Cooperation”) to assist said party in obtaining any incentives, abatements, exemptions, subsidies, energy discounts, refunds or payments that may be available to said party in connection with the Incentive Programs with respect to the Project or any portion thereof, including, without limitation, the Demised Premises (collectively, “Incentives” or “Incentive”). Tenant shall reimburse Landlord for any out-of-pocket cost Landlord incurs in cooperating with Tenant as provided for herein. Tenant shall promptly pay to Landlord, as Additional Rent hereunder, the amount of all or any portion of any Incentive Program benefits that either (x) are not received by Landlord or (y) are received by Landlord and are thereafter revoked, in either case as the result of (i) the occupancy of any portion of the Premises by an entity that is not eligible for Landlord’s Incentives or (ii) any act or omission of Tenant or its agents or employees or Tenant’s failure to comply with the provisions of this Lease (including, without limitation, Tenant’s failure to provide Tenant’s Incentive Cooperation), together with any interest and/or penalties imposed against Landlord in connection with any such revoked Incentive Program benefits.

56.2. With respect to the ICIP program, it is understood and agreed that:

(a) Landlord is seeking, or has obtained, benefits under the ICIP program.

(b) Tenant agrees to report to Landlord the number of workers permanently engaged in employment in the space leased, the nature of each worker’s employment and the New York City residency of each worker.

(c) Tenant agrees to provide access to the Demised Premises by employees and agents of the Department of Finance of the City of New York, the Office of Labor Services, or any such other agency at all reasonable times upon reasonable advance notice at the request of Landlord.

(d) Tenant shall not be required to pay taxes or charges which become due because of the willful neglect or fraud by Landlord in connection with the ICIP program or otherwise relieve or indemnify Landlord from any personal liability arising under Administrative Code ‘11-265, except where imposition of such taxes, charges or liability is occasioned by actions of Tenant in violation of this Lease.

(e) With respect to Tenant’s Work and any other work that Tenant performs on its behalf with the use of third parties, and in connection with Landlord’s ICIP application, Tenant, at its sole cost and expense, shall be obligated to timely and fully comply with the requirements of (i) Executive Order No. 50 of 1980 (ii) Executive Order No. 108 of 1986; (iii) Section 11-260 of the Administrative Code of the

City of New York; (iv) Article 22 of the ICIP Regulations; (v) the New York City Charter; and (vi) any other additional or successor executive orders, statutes, rules or regulations bearing on Landlord’s ICIP application. Such compliance shall include, but shall not be limited to, the filing with the Department of Labor Services (“DLS”) of Construction Employment Reports, Supply and Service Construction Employment Reports, Less Than \$750,000 Subcontract Certificates, and certified payroll records. Tenant shall also be solely responsible for the compliance of any contractor, subcontractor, consultant, agent or party employed by Tenant in connection with Tenant’s Work and any other work that Tenant performs on its behalf with the use of third parties, Tenant further agrees that copies of all such filings shall be sent to Landlord. Tenant, as well as any contractor, subcontractor, construction manager, general contractor, consultant, agent or any party employed by Tenant in connection with Tenant’s Work and any other work that Tenant performs on its behalf with the use of third parties, shall cooperate with Landlord and will supply such information and comply with such reporting requirements as Landlord advises Tenant are reasonably necessary to comply with the ICIP, and Tenant will assist Landlord in connection with maintaining its eligibility under the ICIP, Tenant also agrees that at the commencement of the Tenant’s Work and any other work that Tenant performs on its behalf with the use of third parties, and as the Tenant’s Work and any other, work that Tenant performs on its behalf with the use of third parties progresses, Tenant (or its agent) shall provide Landlord with the names of all contractors or subcontractors retained by Tenant with respect to the Tenant’s Work and any other work that Tenant performs on its behalf with the use of third parties progresses, as well as the dollar value of each contract or subcontract. Tenant agrees that the rider annexed hereto as Exhibit “I” shall be annexed to any agreement for the performance of any work performed within the Premises on behalf of Tenant.

56.3 With respect to the Commercial Revitalization Program, it is understood and agreed that: (i) unless otherwise defined in this Lease, all terms used herein shall have the meanings ascribed to them in Commercial Revitalization Program and (ii) Tenant’s Proportionate Share shall mean and be the same as Tenant’s Proportionate Share, subject to adjustment in accordance with the provisions of any relevant provision of this Lease.

(a) For so long as Landlord continues to be eligible (or would continue to be eligible but for Tenant’s failure to comply with its obligations under this Lease including, without limitation, this Section, for any real estate tax abatement benefits under the Commercial Revitalization Program (herein called the “CRP Abatement Benefits”) or any other Incentive Program with respect to the Premises, Tenant agrees to promptly and fully comply with the provisions and requirements of the Commercial Revitalization Program and the rules promulgated thereunder as same relate to the Premises and to Tenant,

(b) For purposes hereof, the term “Anticipated CRP Benefits” shall mean the full aggregate amount of the real estate tax abatement that would be available under the Commercial Revitalization Program during the entire “Benefit period” (as such term is defined in the Commercial Revitalization Program) if the entire Premises were leased by a “New tenant” (as such term is defined in the Commercial Revitalization Program) for an initial lease term of at least ten (10) years pursuant to a lease meeting all of the requirements of the Commercial Revitalization Program and a “certificate of abatement” (as such term is defined in the Commercial Revitalization Program) were issued in accordance with the terms thereof, and assuming no acts or omissions by Landlord or such New tenant with respect to such lease that would reduce the amount of such aggregate real estate tax abatement.

(i) Tenant hereby acknowledges and agrees that notwithstanding anything to the contrary contained in this Lease, the Base Rent reserved under this Lease represents a rental that has been reduced by the Anticipated CRP Benefits, which reduced Base Rent Landlord is willing to accept in consideration of Tenant’s agreement:

i. to comply with all of its obligations under this Lease (including, without limitation, this Section);

ii. that, notwithstanding anything to the contrary contained herein or in the Commercial Revitalization Program, all or any portion of the Anticipated CRP Benefits actually received by Landlord in connection with this Lease shall be retained by Landlord; and

iii. for purposes of the Commercial Revitalization Program, Landlord shall be deemed to have reduced the rent payable by Tenant under this Lease by the full amount of any Anticipated CRP Benefits actually received by Landlord in connection with this Lease.

(ii) Tenant shall promptly pay to Landlord, as Additional Rent hereunder, the amount of all or any portion of the Anticipated CRP Benefits that either (x) are not received by Landlord or (y) are received by Landlord and are thereafter revoked, in either case, as the result of the act or omission of Tenant or its agents or employees or Tenant's failure to comply with the provisions of this Lease (including, without limitation, the provisions of this Section), together with any interest and/or penalties imposed against Landlord in connection with any such revoked Anticipated CRP Benefits.

(c) In accordance with the Commercial Revitalization Program, Landlord agrees and informs Tenant that:

(i) an application for abatement of real property taxes pursuant to Title 4 of Article 4 of the New York Real Property Tax Law will be made for the Premises;

(ii) the rent, including amounts payable by Tenant for real property taxes, will accurately reflect any abatement of real property taxes granted pursuant to Title 4 of Article 4 of the New York Property Tax Law for the Premises;

(iii) at least thirty-five dollars per square foot must be spent on improvements to the Demised Premises and the common areas; and

(iv) all abatements granted with respect to the Building pursuant to Title 4 of Article 4 of the New York Real Property Law will be revoked if, during the Benefit Period, real estate taxes or water or sewer charges or other lienable charges are unpaid for more than one year, unless such delinquent amounts are paid as provided in Title 4 of Article 4 of the New York Real Property Law.

(d) (i) Tenant, upon not less than ten (10) business days advance written notice from Landlord, agrees to cooperate with Landlord to execute, deliver and file, together with the Abatement Application (as hereinafter defined), the affidavit required by Section 499-C(7) of the Commercial Revitalization Program.

(ii) Tenant, upon not less than ten (10) State business days advance written notice from Landlord, agrees to cooperate with Landlord to execute, deliver and file, within sixty (60) days after the Commencement Date, an application (the "Abatement Application") for a certificate of abatement in accordance with the Commercial Revitalization Program. Tenant further agrees to provide all other information required by the Department of Finance pursuant to the Commercial Revitalization Program and to otherwise comply with the provisions of said Commercial Revitalization Program.

(iii) For so long as Landlord continues to be eligible (or would continue to be eligible but for Tenant's failure to comply with its obligations under this Lease including, without limitation, this Section 10.13) for the CRP Abatement Benefits with respect to the Premises, Tenant, upon not less than ten (10) State business days advance written notice from Landlord, agrees to cooperate with Landlord to annually execute, deliver and file a certificate of continuing eligibility in accordance with Commercial Revitalization Program.

56.4 Landlord hereby agrees to execute and file any necessary applications to enable Landlord to qualify for any Incentive Program applicable to the Premises. Notwithstanding anything to the contrary contained herein: (ii) Tenant acknowledges that Landlord has made no warranty or representation as to the extent, if any, that Landlord will qualify or benefit from any of the programs set forth in this Section and (ii) in the event that either: (x) Landlord fails to qualify (in whole or in part) for any of such programs, (y)

Landlord is subsequently disqualified in whole or in part) for any of such programs and/or (z) the amount of benefits available to Landlord under such programs becomes reduced, unfounded or otherwise unavailable to Landlord, then, in either case, Landlord shall have no liability to Tenant and Tenant's obligations under this Lease shall not be reduced, excused or otherwise affected.

56.5. Notwithstanding anything herein to the contrary, it is understood and agreed that, although the Taxes for the Building may be subject to certain refunds, credits, abatements, deferrals or exemptions under any applicable Incentive Programs, Tenant shall pay throughout the Lease Term Tenant's Percentage of any increase in Taxes over the Base Taxes, in accordance with Article 4 of this Lease, without taking any such refunds, credits, abatements, deferrals or exemptions for either the Base Tax Year or subsequent years into consideration (except with respect to a tax appeal by Landlord, as may be provided for in this Lease).

57. Entire Agreement. This Lease constitutes the entire agreement between the parties and there is no other agreement between the parties relating in any manner to the Project.

58. Right of First Offer. Notwithstanding anything contained herein to the contrary, and provide that (i) Tenant is in actual occupancy of the Premises [i.e., Tenant has not assigned this Lease (other than to an affiliate, subsidiary or parent of Tenant) or sublet any portion greater than fifty percent (50%) of the Premises other than to an affiliate, subsidiary or parent of Tenant], (ii) Tenant is not in default of any of the provisions or covenants of this Lease, and (iii) subject to the rights of any other tenants/occupants of the Building existing prior to the Commencement Date, Landlord agrees to give Tenant fifteen (15) days notice of the contiguous space on the thirty-fourth (34th) floor ("Additional Space") that may become available in the Building. Tenant, within five (5) business days of said notice, shall notify the Landlord whether it wishes to accept the option and shall have the right to lease the Additional Space upon the following terms and conditions. The term for the Additional Space shall be for the greater of (i) three (3) years and eight (8) months or (ii) the remaining term of this Lease. The option shall be on the same covenants, agreements, terms and provisions as provided for in this Lease, except that (i) the annual rent for the Additional Space shall be the rent per square foot Landlord is then charging for similar space in the Building or would be offered to a third party tenant and (ii) Tenant shall receive (a) a new Base Tax Year, which shall be the fiscal tax year starting in the year the right is exercised; and (b) a new Base Operating Year, which shall be the calendar year in which the Term shall commence. Tenant agrees that it shall take such Additional Space in "as is" condition.

59. Letter of Credit. This Article 59 amends and/or supplements the provisions of Articles 1.9, 3.1, 3.4 and 19.6 of the Lease.

Upon the execution of this Lease, Tenant shall either (i) deposit in cash a security deposit of \$218,316.00 or (ii) deliver to Landlord and shall, except as otherwise provided herein, maintain in effect at all times during the Lease Term hereof, an irrevocable, self-renewing letter of credit, in the form attached to this Lease as Exhibit "J", in the amount of \$218,316.00 (such letter of credit is hereinafter referred to as the "Letter of Credit"). The Letter of Credit shall be

issued by a banking corporation reasonably satisfactory to Landlord and having its principal place of business or its duly licensed branch or agency in the City and State of New York. The Letter of Credit shall: (i) be clean, irrevocable, unconditional and non-negotiable, except by Landlord; (ii) be for an initial term of not less than one (1) year; (iii) provide that Landlord shall be entitled to draw upon the Letter of Credit upon presentation of a sight draft; and (iv) provide that the Letter of Credit shall be deemed automatically renewed, without amendment, for consecutive periods of one (1) year, each year during the term of this Lease, and for a ninety (90) day period thereafter unless the bank shall notify Landlord and Landlord's attorneys by registered mail, return receipt requested, not less than thirty (30) days preceding the then expiration date of the Letter of Credit, that the bank elects not to renew such Letter of Credit, in which event Landlord shall have the right, by sight draft presented to the bank, to receive the monies represented by

the then existing Letter of Credit and to hold and apply such proceeds in accordance with the provisions hereof. In the event that Landlord uses, applies or retains any portion of the proceeds of the Letter of Credit, Tenant shall forthwith restore the amount so applied or retained in cash or by good certified check so that, at all times, subject to the provisions herein set forth, the amount of the Letter of Credit or cash security, as the case may be, shall be at least \$218,316.00.

In the event Tenant defaults in the respect of any of the terms, provisions, covenants and conditions of this Lease beyond applicable notice and cure periods, including but not limited to, the payment of annual Base Rent, Additional Rent and any additional charges due hereunder, Landlord may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any Base Rent, Additional Rent or other charges or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's Event of Default in respect of any of the terms, provisions, covenants, and conditions of this Lease, including, but not limited to, any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. To insure that Landlord may utilize the security represented by the Letter of Credit in the manner, for the purposes and to the extent provided herein, each Letter of Credit shall provide that the full amount thereof may be drawn down by Landlord upon the presentation to the issuing bank of Landlord's draft drawn on the issuing bank accompanied by the signed memorandum of Landlord indicating in substance the basis for Landlord's charge against the Letter of Credit. A copy of such memorandum shall be simultaneously furnished to Tenant; provided, however, that such memorandum as so presented shall be absolutely binding and unconditional on said issuing bank. Landlord's right to draw down under said Letter of Credit shall, upon such presentation, also be absolute as against Tenant.

In the event that Tenant defaults, after notice and the opportunity to cure as provided for in the Lease, with respect of any of the terms, provisions, covenants and conditions of this Lease and Landlord utilizes all or any part of the security represented by the cash security deposit or the Letter of Credit but does not terminate this Lease as provided herein, Landlord may in addition to exercising its rights as provided herein, retain the un-applied and unused balance of the principal amount of the cash security deposit or the Letter of Credit as security for the faithful performance and observance by Tenant thereafter of the terms, provisions and conditions of this Lease and may use, apply or retain the whole or any part of said balance to the extent required for payment of Base Rent, Additional Rent or other Tenant charges, or any other sum as to which Tenant is in default or for any sum which Landlord may expend or be required to expend by reason of Tenant's default in respect to any of the terms, covenants, and conditions of this Lease. In the event Landlord applies or retains any portion or all of the security delivered hereunder, Tenant shall not only forthwith restore the amount so applied or retained so that at all times the amount deposited shall not be less than the security required by the first paragraph hereof or such adjusted amount as may be set forth hereinafter, but shall also immediately deposit with Landlord one (1) additional month of security based upon the monthly installment of Base Rent then payable to Landlord.

Except as otherwise provided for herein, in the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Lease, the security shall be promptly returned to Tenant after the Expiration Date and upon delivery of entire possession of the Premises to Landlord as required under this Lease. In the event of an assignment of this Lease or other transfer by Landlord, Landlord shall have the right to transfer any interest it may have in the security to the assignee and Landlord shall thereupon be released by Tenant from all liability for the return of such security, provided such assignee assumes any responsibilities of Landlord with respect to such security, and Tenant agrees to look solely to the new Landlord for the return of said security; and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a new Landlord.

If at any time the issuer bank shall fail to honor the sight draft of Landlord (or its successor-in-interest) on demand, or the issuer fails to remain a member of the New York Clearing House Association or its assets shall become less than \$500 million, Landlord may demand of Tenant that Tenant replace such Letter of Credit with its cash equivalent or with a Letter of Credit from a commercial bank reasonably acceptable to Landlord, at Landlord's option, and Tenant shall replace same within ten (10) business days thereafter.

Time is of the essence with respect to all the dates and time period herein within which Tenant and any issuer of a Letter of Credit may pay and/or perform. In the event Landlord improperly draws on the Letter of Credit, then upon it being determined that such draw down was improper, Landlord shall immediately pay Tenant the amount improperly drawn.

Notwithstanding anything to the contrary contained in this Lease, and provided that (a) this Lease is in full force and effect and Tenant shall not have been in an Event of Default of this Lease and (b) Tenant shall have made all payments of Base Rent and Additional Rent payable under this Lease in a timely manner, then Tenant may provide to Landlord (and Landlord shall promptly thereafter execute and deliver to Tenant, if necessary) such instruments and authorizations, as may be reasonably required by the issuer of the Letter of Credit to reduce the face amount thereof by \$54,579.00 to \$163,737.00 as of the thirty-seventh (37th) month of the Lease Term.

Notwithstanding anything to the contrary contained in this Lease, and provided that (a) this Lease is in full force and effect and Tenant shall not have been in an Event of Default of this Lease, (b) Tenant shall have made all payments of Base Rent and Additional Rent payable under this Lease in a timely manner and (c) the amount of the Letter of Credit has been reduced pursuant to the preceding paragraph, then Tenant may provide to Landlord (and Landlord shall promptly thereafter execute and deliver to Tenant, if necessary) such instruments and authorizations, as may be reasonably required by the issuer of the Letter of Credit to reduce the face amount thereof by an additional \$54,579.00 to \$109,158.00 as of the sixty-first (61st) month of the Lease Term.

For purposes of this Article 59, payments of Base Rent and Additional Rent shall not be deemed to have been made in a timely manner if such payments are made more than five (5) days after such payments become due and payable more than once in any twelve (12) month period.

60. Counterparts. This Lease may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement.

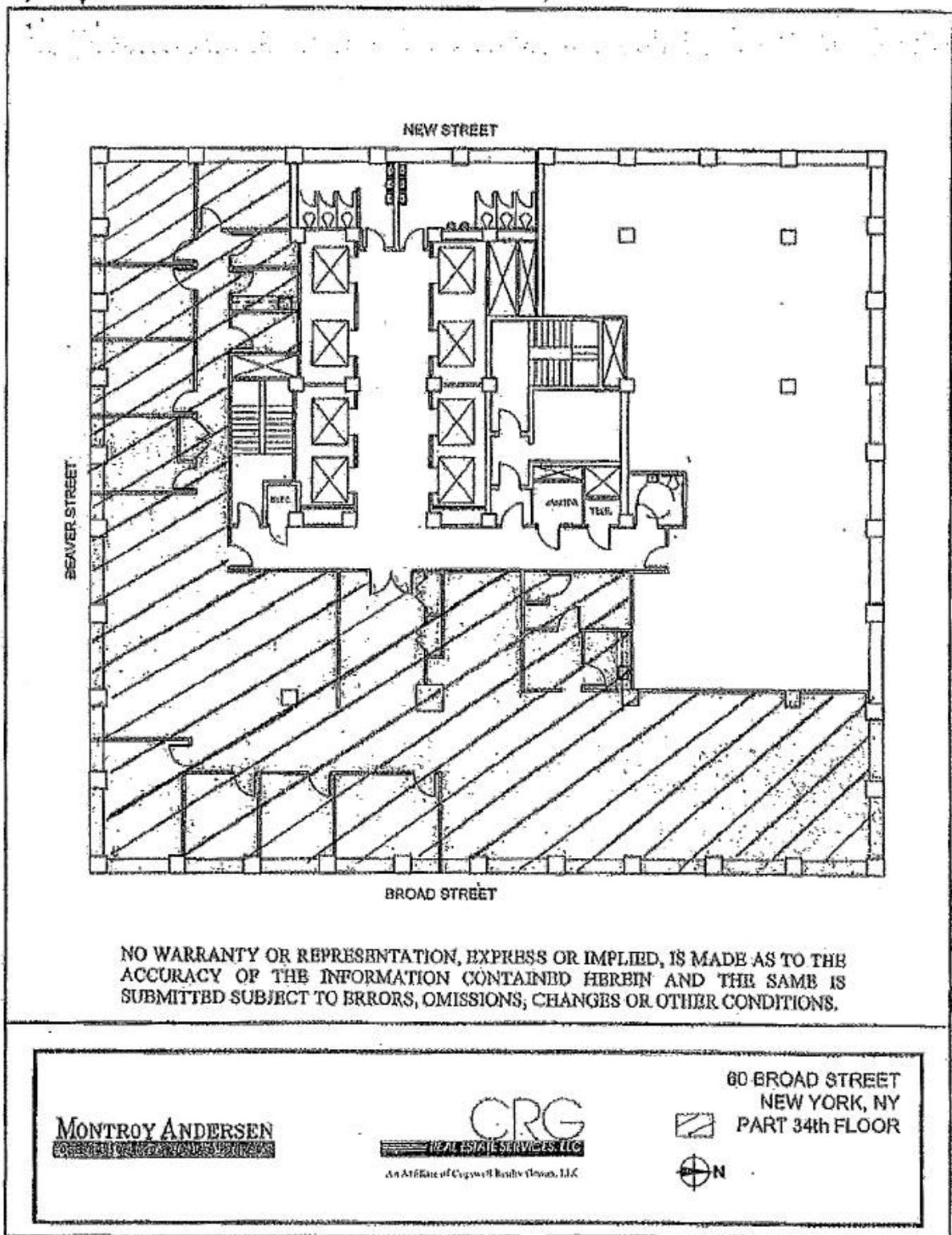


EXHIBIT "B"

MEMORANDUM CONFIRMING TERM

THIS MEMORANDUM ("Memorandum") is made as of June 15, 2005, between WELLS 60 BROAD STREET LLC ("Landlord") and W. J. BONFANTI, INC. ("Tenant"), pursuant to that certain Lease Agreement between Landlord and Tenant dated as of June 15, 2005 (the "Lease") for the Premises located at 60 Broad Street, New York, New York (the "Premises"), and more particularly described in the Lease. All capitalized terms used herein shall have the meanings ascribed to them in the Lease.

1. Landlord and Tenant hereby confirm that:

- (a) The Commencement Date of the Lease Term is July 1, 2005;
- (b) The Expiration Date of the Lease Term is June 30, 2015; and
- (c) The Rent Commencement Date is as of January 16, 2006.

2. Tenant certifies that:
- (a) Tenant has fully inspected the Premises and found the same to be as required by the Lease, and all conditions under the Lease to be performed by Landlord have been satisfied. Any Tenant Improvements required to be performed by Landlord have been Substantially Completed in accordance with the provisions of the Lease.
 - (b) Tenant has accepted and is in full and complete possession of the Premises.
 - (c) The Lease is in full force and effect and constitutes the entire agreement with respect to Tenant's occupancy of the Premises.
 - (d) There are no defaults by Landlord under the terms of the Lease and no event has occurred which, with the giving of notice or the passage of time or both, would constitute a default by Landlord under the Lease.
3. This Memorandum shall be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first set forth above.

LANDLORD:

WELLS 60 BROAD STREET LLC

By: _____
 Print name: _____
 Title: _____

TENANT:

W.J. BONFANTI, INC.

By: _____
 Print name: _____
 Title: _____

EXHIBIT "C"

RULES AND REGULATIONS

The following rules and regulations shall apply, where applicable, to the Building, Land, Premises and Common Facilities (collectively, the Project). All terms not otherwise defined hereinafter shall have the meaning ascribed to them in the Lease.

1. No sign, door plaque, directory strip, advertisement or notice shall be displayed, painted or affixed in or on any part of the outside or inside of the Project, without the prior written consent of Landlord and then only of such color, size, character, style and material, and in such places as shall be approved and designated by Landlord. Signs on entrance doors to the Premises and directories shall be placed thereon by a contractor designated by Landlord and shall be paid for by Tenant.
2. No additional locks or bolts of any kind shall be placed on any door and no changes shall be made to the existing locks or bolts, without the prior written consent of Landlord. Tenant shall provide Landlord with duplicate set of all keys (or other methodology) for such additional door locks permitted by Landlord.
3. No blocking or obstruction any of the entries, passages, doors, elevators, elevator doors, corridors, hallways or stairways shall be permitted. Such areas shall be used strictly for ingress or egress purposes.
4. The placement or installation of solar reflective film, drapes, curtains, blinds, shades, screens, furniture, fixtures, shelving, display cases, tables, lights, signs or advertising devices in front of, or in the proximity of any interior or exterior window, glass panel or glass door that provides a view into the interior of the Building and/or Premises shall be strictly prohibited, unless same shall have first been approved in writing by Landlord.
5. Movement in or out of the Building of furniture or office equipment or dispatch or receipt of any bulky material, merchandise or materials that requires the use of elevators or stairways, or movement through the Building entrances or lobby, shall be restricted to such hours as Landlord shall designate. All such movement of materials shall be under the supervision of Landlord and in the manner agreed upon and prearranged between Tenant and Landlord. Tenant shall assume all risks as to the damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property and personnel of Landlord if damaged or injured as a result of acts in connection with carrying out this service for Tenant from the time of entering the Project to completion of work; and Landlord shall not be liable for acts of any person engaged in, or any damage or loss to any of said property or persons resulting from, and act in connection with such service performed for Tenant.
6. Tenant shall notify the Building manager when safes or other heavy equipment are to be taken in or out of the Building, and performed under the supervision of Landlord. Landlord shall have the power to prescribe the weight and position of safes and other heavy equipment or items, which shall in all cases, to distribute weight, stand on supporting devices approved by Landlord.
7. The use of any hand trucks (except with rubber tires and side guards) in the delivery or receipt of merchandise, by either by Tenant or by jobbers or others, is prohibited.

8. All contractors and/or technicians performing work for Tenant, shall be referred to Landlord for approval before performing such work. This shall apply to all work (not just Tenant's Work), including, but not limited to, installation of telephones, telegraph equipment, electrical devices and attachments, and all installations affecting floors, walls, windows, doors, ceilings or equipment. Should Tenant require telegraphic, telephone, annunciator or other communication service, Landlord will direct the electrician where, when and how wires are to be introduced and placed and none shall be introduced or placed except as Landlord shall direct.

9. All doors leading to the Premises from any corridors, passage or hallway shall be kept closed at all times, except for normal ingress and egress purposes.
10. Before leaving the Premises unattended, all doors shall be closed and all utilities shut off.
11. Tenant shall not make or permit any improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them.
12. Tenant shall not permit any equipment or device within the Premises which will impair radio or television broadcasting or reception from or in the Project.
13. No fish, fowl, reptile, insect, dogs (except for seeing-eye dogs for an individual's use) or animal of any kind whatsoever shall be permitted into the Building, without the prior written consent of Landlord.
14. Tenant shall not bring onto the Project any inflammable, combustible or explosive fluid, chemical, material or substance or Hazardous Material, without the prior written consent of Landlord.
15. No portion of the Project shall be used for manufacturing, public sales, or for the storage of merchandise, or for the sale of merchandise, goods or property of any kind, or auction, without the prior written consent of Landlord.
16. Tenant shall keep the Premises neat and clean. Tenant shall not employ any person for the purposes of such cleaning other than the cleaning and maintenance personnel approved by Landlord.
17. In the event Tenant must dispose of crates, boxes, etc., which will not fit into office wastepaper baskets, it will be the responsibility of Tenant to request special services from Landlord, at Tenant's expense. In no event shall Tenant set such items in the public hallways or other areas of Project for disposal.
18. Tenant will be responsible for any damage to the Premises, including carpeting and flooring, as a result of rust or corrosion of file cabinets, roller chairs, metal objects, or spills of any type of liquid.
19. Canvassing, soliciting and peddling in the Building or any portion of the Project is strictly prohibited and Tenant shall cooperate to prevent the same; Tenant promptly reporting such activities to Landlord.
20. Solicitation of business and/or distribution of handbills, flyers or other advertising matter inside or outside the Project shall be prohibited.

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21. Landlord will not be responsible for lost or stolen personal property, equipment, money or any article taken from the Premises or any portion of the Project, regardless of how or when such loss occurs.
 22. No vending machine of any description shall be installed, maintained or operated upon the Premises, without the prior written consent of Landlord.
 23. Tenant shall not be permitted to go upon the roof of the Building, without the written consent of the Landlord.
 24. Tenant shall not install any antenna or aerial wires, radio or television equipment or any other type of equipment, inside or outside of the Building, without Landlord's prior written consent, and upon such terms and conditions as may be specified by Landlord in each and every instance.
 25. Tenant shall not advertise the business, profession or activities of Tenant in any manner which violates the letter or spirit of any code of ethics adopted by any recognized association or organization pertaining thereto, use the name of the Building or Project for any purpose other than that of the business address of Tenant, or use any picture or likeness of the Building or Project, or use the Building or Project name in any letterheads, envelopes, circulars, notices, advertisements, containers or wrapping material, without prior express written consent of Landlord in each and every instance.
 26. Landlord reserves the right to close the Building to the public at 6:00 p.m., Monday through Friday, and at 1:00 p.m. on Saturday (or at any other time in the event of emergencies), subject however, to Tenant's rights to admittance under regulations prescribed by Landlord, and to reasonably require that persons entering the Building identify themselves and establish their right to enter or to leave the Building. Landlord shall in no case be liable for damages for the admission to or exclusion from the Building of any person whom Landlord has the right to exclude hereunder. Tenant's officers, agents, servants and employees shall be permitted to enter and leave the Building whenever appropriate arrangements have been previously made between Landlord and Tenant with respect thereto. Tenant shall be responsible for all persons for whom Tenant requests such permission, and shall be liable to Landlord for all acts of such persons. Any person whose presence in the Building, at any time, shall in the judgment of the Landlord be prejudicial to the safety, character, reputation and interest of the Project or its tenants may be denied access to the Building or may be ejected therefrom. In case of invasion, riot, public excitement or other commotion, Landlord may prevent all access to the Project during the continuance of the same, by closing the doors or otherwise, for the safety of the tenants of the Project and protection of property in the Building. Landlord may require any person leaving the Building with any package or other object from the Premises to exhibit a pass from Tenant, but the establishment and enforcement of such requirements shall not impose any responsibility on Landlord for the protection of Tenant against the removal of property from the Premises. Landlord shall in no way be liable to Tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from the Premises or the Project under the provisions hereof.
 27. Smoking is prohibited in all areas of the Building except where expressly permitted by Landlord in writing or permitted by local law (if any). Landlord reserves the right to relocate or eliminate any such areas where smoking is permitted, at any time.
 28. Any additional services not required under the Lease to be performed by Landlord, which Tenant requests Landlord to perform and which are performed by Landlord, shall be billed to Tenant at Landlord's cost plus Landlord's markup.

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29. Tenant shall not clean nor require, permit, suffer or allow any window in the Premises to be cleaned from the outside in violation of any applicable law.

30. Freight elevator use during Regular Business Hours shall be restricted to three (3) trips between applicable floors and shall only be with Landlord's prior approval. However, all move-ins and move-outs shall be performed after Regular Business Hours and weekends only, with Tenant being responsible for the Building's customary freight elevator usage fees (on a per hour basis). A four (4) hour minimum shall be assessed on weekends and holidays. Furniture placed on top on the elevator car shall be strictly prohibited.

31. Any installments of two-way communication devices (e.g., door buzzers) in public corridors shall be approved by Landlord, in writing.

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EXHIBIT "D"

SPECIAL PROVISIONS

None

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EXHIBIT "E"

INTENTIONALLY DELETED

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EXHIBIT "F"

GUARANTY OF LEASE OBLIGATIONS

FOR VALUE RECEIVED and in consideration for the leasing of the premises located at 60 Broad Street, New York, New York (the "Premises") by WELLS 60 BROAD STREET LLC ("Landlord") to W.J. BONFANTI, INC. ("Tenant"), as said Premises are more accurately described in the lease therefor of even date herewith (the "Lease") and as an inducement to Landlord to enter into the Lease with Tenant, the undersigned (hereinafter "Guarantor") does hereby unconditionally and irrevocably guaranty to Landlord, its successors and assigns (i) the full payment of all Base Rent and Additional Rent due under the Lease and (ii) performance of all other obligations of Tenant as provided for in the Lease on Tenant's part to be performed.

The obligations of Guarantor under this Guaranty are absolute and unconditional and is a guarantee of payment and performance, not of collection. The obligations of Guarantor hereunder shall remain in full force and effect without regard to any circumstance or condition, including, without limitation, (i) any renewal, modification or extension of the Lease; (ii) any assertion, exercise or non-exercise by Landlord of any right or remedy available to Landlord under the Lease, at law or in equity; (iii) any transfer by Landlord or Tenant in respect of the Lease of any interest in the Premises (e.g., assignment, sublease, sale); and (iv) any bankruptcy, insolvency, receivership, reorganization, dissolution, liquidation or other like proceeding involving or affecting Landlord or Tenant or their obligations or any action taken by any trustee or receiver of Landlord or Tenant or by any court in any proceeding. Neither Guarantor's obligations under this Guaranty or any remedy for enforcement thereof, shall be impaired, modified or limited in any manner whatsoever by any impairment, modification, waiver or discharge resulting from the operation of any present or future operation of any present or future provision under the National Bankruptcy Act or any other statute or decision of any court.

Guarantor hereby waives presentment and demand for payment, notice of non-payment or non-performance and any other notice or demand to which Guarantor may otherwise be entitled. Guarantor hereby covenants and agrees that Guarantor may be joined in any action against Tenant, in connection with the Lease, and that recovery may be had against Guarantor in such action without Landlord first pursuing or exhausting any other security or remedy against Tenant, its successors or assignees, Guarantor also agrees that, if permitted by law, it will be conclusively bound by a judgment in any action by Landlord against Tenant (wherever brought) as if Guarantor were a party to such action even though the Guarantor is not joined as a party in such action. Guarantor further agrees that its liability under this Guaranty shall be primary and that in any right of action which may accrue to Landlord under the Lease, Landlord may, at its option, proceed against Guarantor without having commenced any action against or having obtained any judgment against Tenant.

Guarantor hereby waives all right to trial by jury in any action or proceeding hereinafter instituted by Landlord to which the Guarantor may be a party. This Guaranty shall be governed by and construed under the laws of the State of New York. Guarantor shall pay all attorney's fees, court costs and other expenses incurred by Landlord in enforcing or attempting to enforce this Guaranty.

All terms contained herein that are defined in the Lease shall retain their definition as provided for in said Lease. This Guaranty shall inure to the benefit of and may be enforced by Landlord, and its successors and assigns, and will be binding upon and enforceable against Guarantor and its successors, assigns, heirs and personal representatives, as the case may be. If there is more than one Guarantor hereunder, the Guarantors' obligations hereunder shall be joint and several.

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Notwithstanding the foregoing, the obligations of Guarantor may be terminated unilaterally by Guarantor at any time during the term of the Lease or thereafter; provided (a) Tenant surrenders the Premises to Landlord vacant, broom clean and in the manner and condition as set forth in the Lease; (b) all

Base Rent and Additional Rent due and owing through and including the date of surrender is paid in full; and (c) Tenant tenders the keys to the Premises to Landlord or its authorized agent. Upon satisfaction of the foregoing conditions, the Guarantor shall be released from all obligations under this Guaranty.

Notwithstanding anything to the contrary contained in this Lease, as of the forty-third (43rd) month of the Lease Term or any time six (6) months thereafter, after Tenant's written request to Landlord, Landlord shall agree to terminate the obligations of the Guarantor pursuant to this Guaranty (and provide such instruments as may be reasonably required to effectuate such termination), provided that (a) this Lease is in full force and effect, (b) Tenant is not in an Event of Default of this Lease at the time of such request and (c) at the time of Tenant's request for termination of this Guaranty pursuant to this paragraph, Tenant shall have a net worth, determined in accordance with generally accepted accounting principles, consistently applied, equal to or greater than \$1,000,000.00.

IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty this 22nd day of June, 2005.

PRINT NAME: William J. Bonfanti
SIGNATURE: /s/ William J. Bonfanti

GREGORY MALESKI
Notary Public State of New York
No. 01MA6102178
Qualified in Suffolk County
Commission Expires December 08, 2007

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 22nd day of June, 2005, before me, the undersigned, personally appeared William J. Bonfanti to me personally known or proved to me on the basis of satisfactory evidence to be the individual(s) described in and who executed the within instrument; and thereupon acknowledged to me that he/she/they executed the same.

[ILLEGIBLE]
Notary Public

PRINT NAME: Michael N. Romano
SIGNATURE: /s/ Michael N. Romano

GREGORY MALESKI
Notary Public. State of New York
No. 01MA6102178
Qualified in Suffolk County
Commission Expires December 08, 2007

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 22nd day of June, 2005, before me, the undersigned, personally appeared Michael N. Romano to me personally known or proved to me on the basis of satisfactory evidence to be the individual(s) described in and who executed the within instrument; and thereupon acknowledged to me that he/she/they executed the same.

/s/ Gregory Maleski
Notary Public

PRINT NAME: William J. Bonfanti, Jr.
SIGNATURE: /s/ William J. Bonfanti, Jr.

GREGORY MALESKI
Notary Public. State of New York
No. 01MA6102178
Qualified in Suffolk County
Commission Expires December 08, 2007

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 22nd day of June, 2005, before me, the undersigned, personally appeared William J. Bonfanti, Jr. to me personally known or proved to me on the basis of satisfactory evidence to be the individual(s) described in and who executed the within instrument; and thereupon acknowledged to me that he/she/they executed the same.

/s/ Gregory Maleski
Notary Public

PRINT NAME: Craig A. Rothfeld
SIGNATURE: /s/ Craig A. Rothfeld

STATE OF NEW YORK)
) ss.:

On the 22nd day of June, 2005, before me, the undersigned, personally appeared Craig A. Rothfeld to me personally known or proved to me on the basis of satisfactory evidence to be the individual(s) described in and who executed the within instrument; and thereupon acknowledged to me that he/she/they executed the same.

/s/ Gregory Maleski
Notary Public

GREGORY MALESKI
Notary Public, State of New York
No. 01MA6102178
Qualified in Suffolk County
Commission Expires December 08, 2007

EXHIBIT "G"

CLEANING SPECIFICATIONS

GENERAL CLEANING OFFICE AREAS - NIGHTLY - MONDAY THROUGH FRIDAY (LEGAL AND BUILDING SERVICE EMPLOYEES INTERNATIONAL UNION HOLIDAYS EXCLUDED)

Dust sweep composition flooring with specially treated cloths.

Carpet sweep carpeted areas four (4) nights each week, spot clean carpets once each week and vacuum once each week, moving light furniture other than desks, file, cabinets, etc.

Remove waste paper and waste materials to designated area in the Premises during evening hours using special junior carriages, Waste or rubbish bag shall be supplied to us by the Landlord.

Dust and wipe clean furniture, fixtures, desk equipment, telephones and windows sills with specially treated cloth, if accessible.

Dust baseboards, chair rails, trim, louvers, pictures, charts etc, within reach.

LAVATORIES — NIGHTLY

Sweep and wash flooring with approved germicidal detergent solution.

Wash and polish mirrors, powder shelves, bright work, etc., including flushometers, piping and toilet seat hinges.

Wash both sides of toilet seats, wash basin, bowls and urinals with approved germicidal detergent solution.

Dust partitions, tile walls, dispensers and receptacles.

Remove waste paper and refuse to a designated area in the Premises, during evening hours, using special janitor carriages.

Fill toilet tissue dispensers.

Fill towel and soap dispensers in public and ADA bathrooms with supplies furnished by Landlord.

PUBLIC AREAS - PERIODIC CLEANING

Elevator, stairway, office and utility doors on each floor will be checked for general cleanliness, removing finger marks as necessary.

Remove finger marks from metal partitions and other similar surfaces as necessary.

HIGH DUSTING

Do high dusting every three (3) months which includes the following:

Dust pictures, frames, charts, graphs and similar wall hangings not reached in nightly cleaning.

Dust exterior of light fixtures.

Dust overhead pipes, sprinklers, etc.

Dust window frames.

LAVATORIES - PERIODIC CLEANING

Machine scrub flooring with approved germicidal detergent solution as necessary.

Wash partitions, tile walls and enamel surfaces with approved germicidal detergent solution once a month.

Dust exterior of lighting fixtures every three (3) months.

High dust once per month.

WINDOW CLEANING

Clean all perimeter office windows, both exterior and interior, two times a year weather permitting.

All window cleaning will be performed during the regular working hours of 7:00 a.m. to 3:30 p.m. Monday through Friday, excluding Saturdays and Sundays, and union holidays.

No exterior window washing will be done on days of rain, sleet, or snow but will be performed as soon as possible thereafter.

SCHEDULE OF CLEANING

Night cleaning service shall be rendered five nights each week; Monday through Friday, except on Union and Legal Holidays.

EXTERMINATING SERVICE

Base Building exterminating services will be provided once a month for mice and roaches. Special services such as fogging etc., will be furnished upon request for an additional charge at prices to be mutually agreed upon in advance.

EXHIBIT "H"

MOISTURE AND MOLD MEMORANDUM

This Memorandum is entered into this 15th day of June, 2005 by W. J. BONFANTI, INC. ("Tenant").

TENANT AGREES AS FOLLOWS:

1. Pursuant to that certain Lease Agreement dated as of June 15, 2005 (the "Lease") by and between WELLS 60 BROAD STREET LLC ("Landlord") and Tenant, Tenant is leasing from Landlord the following premises: A portion of the thirty-fourth (34th) floor in the building located at 60 Broad Street, New York, New York (the "Premises"), as more particularly described in the Lease.

2. It is generally understood that mold spores are present essentially everywhere and that mold can grow in any moist location. Emphasis is properly placed on prevention of moisture and on good housekeeping and ventilation practices. Tenant acknowledges the necessity of housekeeping, ventilation, and moisture control (especially in kitchens, janitor's closets, bathrooms, break rooms and around outside walls) for mold prevention. In signing this Memorandum, Tenant has first inspected the aforementioned Premises and certifies that Tenant has not observed mold, mildew or moisture within the Premises. Tenant agrees to immediately notify Landlord if Tenant observes mold/mildew and/or moisture conditions (from any source, including leaks), and Tenant agrees to allow management to evaluate and make recommendations and/or take appropriate corrective action. Tenant releases Landlord, its agents, representatives, members and employees from any liability for any personal injury or damages to property caused by or associated with moisture or the growth of or occurrence of mold or mildew in or around the Premises. In addition, execution of this Memorandum constitutes acknowledgement by Tenant that control of moisture and mold prevention are integral to its obligations under the Lease.

3. This Exhibit shall be and is incorporated into the Lease between the Landlord and Tenant.

4. Tenant acknowledges receipt of the Moisture and Mold Control Instructions, a copy of which is attached hereto, and which instructions are subject to modification, from time to time.

TENANT:

W.J. BONFANTI, INC.

By: /s/ Craig A. Rothfeld
Name: Craig A. Rothfeld
Title: Chief Operating Officer
Chief Financial Officer

MOISTURE AND MOLD CONTROL INSTRUCTIONS

It is important for you to know that exercising proper ventilation and moisture control precautions will help maintain your comfort and prevent mold growth in the Premises. Tenant should adopt and implement the following guidelines, to avoid developing excessive moisture or mold growth.

1. Report any maintenance problems involving water, moist conditions, or mold to the Property Manager promptly and conduct its required activities in a manner which prevents unusual moisture conditions or mold growth.

2. Do not block or inhibit the flow of return or make-up air into the HVAC system. Maintain the suite at consistent temperature and humidity level in accordance with the Property Manager's instructions.
3. Regularly conduct janitorial activities, especially in bathrooms, kitchens, and janitorial spaces to remove mildew and prevent or correct moist conditions.
4. Maintain water in all drain traps at all times.

EXHIBIT "I"

ICIP RIDER TO CONTRACT

(to be annexed to all contracts for work to be performed by Tenant)

Contractor acknowledges that it has been advised by Tenant that the landlord of the Building has or will be applying for real estate tax exemption benefits for the commercial space in the Building pursuant to the New York City Industrial and Commercial Incentive Program ("ICIP"). Contractor agrees that it will comply with the rules and regulation of the New York City Department of Business Services ("DBS") as may be in effect from time to time in regard to the ICIP. More specifically, Contractor agrees that it:

1. will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, disability, marital status, sexual orientation or citizenship status with respect to all employment decisions including but not limited to recruitment, hiring, upgrading, demotion, downgrading, transfer, training, rates of pay or other forms of compensation, layoff, termination, and all other terms and conditions of employment;
2. will not discriminate in the selection of contractors and subcontractors on the basis of the owner's, partners' or shareholders' race, creed, color, national origin, sex, age, disability, marital status, sexual orientation or citizenship status;
3. will state in all solicitations or advertisements for employees placed by it or on behalf of the contractor in connection with any work related to the initial Alteration that all qualified applicants will receive consideration for employment without regard to race, creed, color, national origin, sex, age, disability, marital status, sexual orientation or citizenship status;
4. will send to each labor organization or representative of workers with which it has a collective bargaining agreement or other contract or memorandum of understanding, written notification of their equal employment opportunity commitments in connection with any work related to the initial Alteration;
5. will not award contracts or commence construction until the submission of a completed employment report to DBS and until DBS approves or fails to respond within 15 business days of receipt of completed employment report;
6. will permit DBS access to the project site and to all books, records and will file certified payroll records, and if applicable, computer tapes, as required by DBS;
7. acknowledges that DBS has the right to suspend work on the initial Alterations for a contractors' failure to allow DBS access to their workforce;
8. will not engage in moving employees from one job site to another in order to create the appearance of compliance with the regulation or executive order designed to ensure equal employment opportunity;
9. will submit to the jurisdiction of DBS for the purpose of determining compliance with these representations and will cooperate with DBS in attempting to cure any instances of noncompliance with the equal employment opportunity requirements of Executive Order No. 50 which DBS may find in connection with any work on the project;

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10. will terminate, suspend, cause to be terminated or suspended, or not award any subcontract entered into in connection with the initial Alteration with any subcontractor found by DBS Or the DOF to be in violation of any provision of these representations;
 11. (a) will include or cause to be included in all contracts or subcontracts for amounts of \$750,000 or more, entered into in connection with this project the following provisions;

In consideration for and as a condition of this contract the contractor or subcontractor agrees that during its performance it:

- (i) will employ trainees for training level jobs and participates in on-the-job training programs which have been approved by DBS, in the event that the construction work which it undertakes in connection with this project should employ four or more journey-level employees in a particular trade for at least four consecutive weeks, as such terms are defined by the prevailing practice in the industry. The contractor shall be considered to employ four journey-level employees in a particular trade when it employs any number of journey-level employees in that trade whose aggregate works hours equal the number of hours that four full-time journey-level employees would have worked in a work week, as such terms are defined by the prevailing practice in the industry for the particular trade;
- (ii) will make a good faith effort to achieve a ratio of at least one trainee to four journey level employees for each trade on the project. "Good faith efforts" shall mean:
 - a. documented efforts to secure trainees from training programs approved by DBS;
 - b. documented efforts through the New York State Department of Employment, Training Assistance Plan Centers and community and civil rights groups to identify candidates for training positions and to sponsor these persons for entrance into approved training programs; and

- c. written notification to DBS in the event of an inability to secure trainees pursuant to clauses(a) and (b) of this subparagraph, and requesting DBS' assistance in securing trainees. Neither the provisions of any collective bargaining agreement nor the refusal by a union with whom the contractor has a collective bargaining agreement to recognize the validity of the training program shall excuse the contractor's obligation to provide training pursuant to these regulations
- (iii) will attempt to provide continuous employment for trainees after completion of the construction being undertaken in order to enable them to complete their course of training;
- (iv) will refer, recommend and sponsor, if union affiliated, any of its trainees for union membership who can perform the duties of a qualified journey-level employee or who have satisfactorily completed the training program; and assure that such former trainees will receive journey-level wage and fringe

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benefits, whether or not union membership is granted after such referral, recommendation or sponsorship and that their employment shall be continued if possible;

- (v) will supply DBS with such additional information and reports as it may require; permit DBS access to the project site and to its books, records and accounts and otherwise cooperated with and submit to the jurisdiction of DBS for the purpose of ensuring compliance with these provisions which DBS may find;
- (b) will require or cause all covered prime contractors and subcontractors to include in ail contracts of \$750,000 or more or subcontracts of \$750,000 or more on the project, in addition to the representations and agreements contained in paragraphs 12 (a) through (v) the representations contained in paragraphs 2,4,5,7,8,9,10,12 (c) and 12 (d) and in paragraph 14;
- (c) will require any subcontractor who, due to change orders, reach \$750,000 to submit an employment report to DBS;
- (d) will pay to the DOF, in the event of its own or its contractor's failure to provide training, where applicable, pursuant to the regulations, to the required number of trainees for the required number of weeks, an amount equal to the wages and fringe benefits which would have been paid to first term trainees under the prevailing wage schedule in effect at the time the trainees would have been employed had the number and duration of the positions been as required, unless the contractor or applicants or their successors, where applicable, can demonstrate through the submission of written documentation as described in the regulations within thirty (30) days of DBS' notification of a training deficit that it made a good faith effort to provide training and was unsuccessful;

12. will complete any hearings commenced by the Director of DBS and comply with any direction of the DOF, whether benefits have been granted or not; and

13. will comply with any direction of the DOF made pursuant to the regulations, including a direction:

- (i) to terminate, suspend, cause to be terminated or suspended, or not award any contract for an amount in excess of \$50,000 between between contractor and subcontractors upon a finding that the subcontractor has failed to comply with the terms of this application or has failed to conciliate with DBS;
- (ii) to pay to DOF, applicant or contractor, an amount equal to 3% of the highest estimate of construction costs or actual construction costs of the noncomplying contractor or subcontractor, upon a finding that the contractor or subcontractor has failed to comply or to make a good faith effort to comply with the requirements of this rider or with any direction of DOF or DBS provided that such payment shall be credited against any payment directed under subparagraph (iii) of this paragraph;
- (iii) to pay to DOF, applicant or contractor, an amount equal to 5% of the highest estimate of construction costs of the noncomplying contractor or subcontractor upon a finding that the contractor or subcontractor has wilfully disregarded and/or willfully failed to comply with the requirements of this rider or with any direction of DBS or DOF;

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- (iv) to pay to DOF an amount equal to 5% of the highest estimate of construction costs as set forth in the application, or 5% of actual construction costs, if known, upon a finding that the Contractor has failed to comply or to make a good faith effort to comply with the requirements of this rider or with any direction of DBS or DOF;
- (v) not to file for a period of five years any application and to forego any benefits under the instant application, upon a finding that the Contractor has willfully disregarded and/or willfully failed to comply with the requirements of this section or with any direction of DOF or DBS; and
- (vi) to implement an employment program of corrective actions imposed by the Director of DBS.

14. understands, and will cause its contractors and subcontractors to understand, that in the event of their noncompliance with the nondiscrimination clauses of the ICIP application or the contract or with Executive Order No. 50 or the rules, regulations or orders promulgated thereunder, such noncompliance shall constitute a material breach of the contract or application and noncompliance with such rule, regulation or order and with Executive Order No. 50.

15. will cooperate in all respects with Tenant, the landlord and their attorneys in connection with the application for ICIP benefits, including without limitation, retaining at Contractor's expense a consultant designated by the landlord 9or Tenant, as the case may be) to assist Contractor in its performance of its obligations hereunder, supplying copies of all contracts, plans and other construction documents as may be requested by the landlord (or Tenant, as the case may be) or its attorneys. Subsequent to the completion of the initial Alteration, Contractor shall promptly provide Tenant with a certification of its construction costs, prepared by a certified public accountant.

Tenant acknowledges that it has been advised by Landlord that Landlord has or will be applying for real estate tax exemption benefits for the commercial space in the Building pursuant to the New York City Industrial and Commercial Incentive Program (“ICIP”). Tenant agrees in general, that with respect to any initial Alterations that Tenant performs in the Premises, Tenant will comply with the rules and regulation of the New York City Department of Business Services (“DBS”) as may be in effect from time to time in regard to the ICIP. More specifically, Tenant agrees that it:

1. will notify Landlord, the Department of Finance (the “DOF”) and DBS in writing 15 business days before commencing any demolition or construction work at the project work site. Such notification to Landlord shall include:
 - (a) a narrative description of the initial Alteration, prepared by a licensed architect.
 - (b) a projection as to the itemized trade costs to be incurred in connection with the initial Alteration.
 - (c) copies of all construction contracts to be entered into between Tenant and contractors.
2. will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, disability, marital status, sexual orientation or citizenship status with respect

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to all employment decisions including but not limited to recruitment, hiring, upgrading, demotion, downgrading, transfer, training, rates of pay or other forms of compensation, layoff, termination, and all other terms and conditions of employment;

3. will not discriminate in the selection of contractors and subcontractors on the basis of the owner’s, partners’ or shareholders’ race, creed, color, national origin, sex, age, disability, marital status, sexual orientation or citizenship status;
4. will state in all solicitations or advertisements for employees placed by it or on behalf of the contractor in connection with any work related to the initial Alteration that all qualified applicants will receive consideration for employment without regard to race, creed, color, national origin, sex, age, disability, marital status, sexual orientation or citizenship status;
5. will send to each labor organization or representative of workers with which it has a collective bargaining agreement or other contract or memorandum of understanding, written notification of their equal employment opportunity commitments in connection with any work related to the initial Alteration;
6. will not award contracts or commence construction until the submission of a completed employment report to DBS and until DBS approves or fails to respond within 15 business days of receipt of completed employment report;
7. will permit DBS access to the project site and to all books, records and will file certified payroll records, and if applicable, computer tapes, as required by DBS;
8. in acknowledges that DBS has the right to suspend work on the initial Alterations for a contractors’ failure to allow DBS access to their workforce;
9. will not engage in moving employees from one job site to another in order to create the appearance of compliance with the regulation or executive order designed to ensure equal employment opportunity;
10. will submit to the jurisdiction of DBS for the purpose of determining compliance with these representations and will cooperate with DBS in attempting to cure any instances of noncompliance with the equal employment opportunity requirements of Executive Order No. 50 which DBS may find in connection with any work on the project;
11. will terminate, suspend, cause to be terminated or suspended, or not award any subcontract entered into in connection with the initial Alteration with any subcontractor found by DBS or the DOF to be in violation of any provision of these representations;
12. (a) will include or cause to be included in all contracts or subcontracts for amounts of \$750,000 or more, entered into in connection with this project the following provisions:

In consideration for and as a condition of this contract the contractor or subcontractor agrees that during its performance it:

- (i) will employ trainees for training level jobs and participates in on-the-job training programs which have been approved by DBS, in the event that the construction work which it undertakes in connection with this project should employ four or more journey-level employees in a particular trade for at least four consecutive weeks, as

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such terms are defined by the prevailing practice in the industry. The contractor shall be considered to employ four journey-level employees in a particular trade when it employs any number of journey-level employees in that trade whose aggregate works hours equal the number of hours that four full-time journey-level employees would have worked in a work week, as such terms are defined by the prevailing practice in the industry for the particular trade;

- (ii) will make a good faith effort to achieve a ratio of at least one trainee to four journey level employees for each trade on the project, “Good faith efforts” shall mean:
 - a. documented efforts to secure trainees from training programs approved by DBS;
 - b. documented efforts through the New York State Department of Employment, Training Assistance Plan Centers and community and civil rights groups to identify candidates for training positions and to sponsor these persons for entrance into approved training programs; and

- c. written notification to DBS in the event of an inability to secure trainees pursuant to clauses(a) and (b) of this subparagraph, and requesting DBS' assistance in securing trainees. Neither the provisions of any collective bargaining agreement nor the refusal by a union with whom the contractor has a collective bargaining agreement to recognize the validity of the training program shall excuse the contractor's obligation to provide training pursuant to these regulations
- (iii) will attempt to provide continuous employment for trainees after completion of the construction being undertaken in order to enable them to complete their course of training;
- (iv) will refer, recommend and sponsor, if union affiliated, any of its trainees for union membership who can perform the duties of a qualified journey-level employee or who have satisfactorily completed the training program; and assure that such former trainees will receive journey-level wage and fringe benefits, whether or not union membership is granted after such referral, recommendation or sponsorship and that their employment shall be continued if possible;
- (v) will supply DBS with such additional information and reports as it may require; permit DBS access to the project site and to its books, records and accounts and otherwise cooperated with and submit to the jurisdiction of DBS for the purpose of ensuring compliance with these provisions which DBS may find;
- (b) will require or cause all covered prime contractors and subcontractors to include in all contracts of \$750,000 or more or subcontracts of \$750,000 or more on the project, in addition to the representations and agreements contained in paragraphs 12 (a) through (v) the representations contained in paragraphs 2,4,5,7,8,9,10,12 (c) and 12 (d) and in paragraph 14;
- (c) will require any subcontractor who, due to change orders, reach \$750,000 to submit an employment report to DBS;

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- (d) will pay to the DOF, in the event of its own or its contractor's failure to provide training, where applicable, pursuant to the regulations, to the required number of trainees for the required number of weeks, an amount equal to the wages and fringe benefits which would have been paid to first term trainees under the prevailing wage schedule in effect at the time the trainees would have been employed had the number and duration of the positions been as required, unless the contractor or applicants or their successors, where applicable, can demonstrate through the submission of written documentation as described in the regulations within thirty (30) days of DBS' notification of a training deficit that it made a good faith effort to provide training and was unsuccessful;
- 13. will complete any hearings commenced by the Director of DBS and comply with any direction of the DOF, whether benefits have been granted or not; and
- 14. will comply with any direction of the DOF made pursuant to the regulations, including a direction:
 - (i) to terminate, suspend, cause to be terminated or suspended, or not award any contract for an amount in excess of \$50,000 between the Tenant and a contractor or between contractors and subcontractors upon a finding that the contractor has failed to comply with the terms of this application or has failed to conciliate with DBS;
 - (ii) to pay to DOF, applicant or contractor, an amount equal to 3% of the highest estimate of construction costs or actual construction costs of the noncomplying contractor or subcontractor, upon a finding that the contractor or subcontractor has failed to comply or to make a good faith effort to comply with the requirements of this rider or with any direction of DOF or DBS provided that such payment shall be credited against any payment directed under subparagraph (iii) of this paragraph;
 - (iii) to pay to DOF, applicant or contractor, an amount equal to 5% of the highest estimate of construction costs of the noncomplying contractor or subcontractor upon a finding that the contractor or subcontractor has willfully disregarded and/or willfully failed to comply with the requirements of this rider or with any direction of DBS or DOF;
 - (iv) to pay to DOF an amount equal to 5% of the highest estimate of construction costs as set forth in the application, or 5% of actual construction costs, if known, upon a finding that the Tenant has failed to comply or to make a good faith effort to comply with the requirements of this rider or with any direction of DBS or DOF;
 - (v) not to file for a period of five years any application and to forego any benefits under the instant application, upon a finding that the Tenant has willfully disregarded and/or willfully failed to comply with the requirements of this section or with any direction of DOF or DBS; and
 - (vi) to implement an employment program of corrective actions imposed by the Director of DBS.
- 15. understands, and will cause its contractors and subcontractors to understand, that in the event of their noncompliance with the nondiscrimination clauses of the ICIP application or the contract or with Executive Order No. 50 or the rules, regulations or orders promulgated thereunder, such noncompliance shall constitute a material breach of the contract or application and noncompliance with such rule, regulation or order and with Executive Order No. 50.

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- 16. will cooperate in all respects with Landlord and its attorneys in connection with Landlord's application for ICIP benefits, including without limitation, retaining at Tenant's expense a consultant designated by Landlord to assist Tenant in its performance of its obligations hereunder, supplying copies of all contracts, plans and other construction documents as may be requested by Landlord or its attorneys. Subsequent to the completion of the initial Alteration, Tenant shall promptly provide Landlord with a certification of its construction costs, prepared by a certified public accountant.

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FORM OF LETTER OF CREDIT

BASIC FORM OF LETTER OF CREDIT REQUIRED
(Plus applicable language from Article 59)

No. Date Irrevocable Letter of Credit

Beneficiary: Applicant:

WELLS 60 BROAD STREET LLC W.J. BONFANTI, INC.
c/o CRG Management, LLC
1330 Avenue of the Americas, 23rd Floor
New York, NY 10019

Dear Sir(s)/Madam(s):

We hereby authorize you to value on 60 Broad Street, New York, New York.

For account of up to the aggregate amount of \$218,316.00 Available by your drafts at sight.

This Letter of Credit may be transferred to any transferee of the interest of the Landlord under the lease dated as of June 15, 2005 (the "Lease") between WELLS 60 BROAD STREET LLC, as Landlord and W.J. BONFANTI, INC., as Tenant.

It is a condition of this Letter of Credit that it shall be deemed to be automatically extended for consecutive periods of one (1) year each from the present and any future expiration date and for any partial year ending December 31, unless we shall notify you and Eric J. Samer, Esq., 1330 Avenue of the Americas, 23rd Floor, New York, NY 10019, by written notice given by registered mail at least thirty (30) days prior to such expiration date that we elect not to renew it for any such additional period, in which case you shall have the right to draw on us the full amount of this Letter of Credit by your sight draft, accompanied by your signed written statement that you are drawing under Letter of Credit # .

THE OUTSTANDING AMOUNT DUE AND OWING TO THE HOLDER OF THIS LETTER OF CREDIT, THROUGH THE DATE OF ANY UNCURED DEFAULT, MAY BE DRAWN BY HOLDER UPON THE PRESENTATION TO BANK OF THIS DRAFT ACCOMPANIED BY A SIGNED MEMORANDUM OF HOLDER INDICATING THAT AN UNCURED MONETARY OR NON-MONETARY DEFAULT HAS OCCURRED UNDER THE LEASE, A COPY OF SUCH MEMORANDUM SHALL BE SIMULTANEOUSLY FURNISHED TO THE APPLICANT; PROVIDED, HOWEVER, THAT SUCH MEMORANDUM AS SO PRESENTED SHALL BE ABSOLUTELY BINDING AND UNCONDITIONAL ON SAID ISSUING BANK.

AMENDMENT OF LEASE

This Amendment of Lease (hereinafter, "Agreement") dated as of the 7th day of September, 2005, by and between WELLS 60 BROAD STREET LLC (hereinafter, the "Landlord"), c/o CRG Management, LLC, having a place of business at 1330 Avenue of the Americas, 23rd Floor, New York, New York 10019 and W.J. BONFANTI, INC. (hereinafter, the "Tenant"), a New York corporation, with offices at 44 Wall Street, 12th Floor, New York, NY 10005.

WITNESSETH:

WHEREAS, Landlord and Tenant entered into a lease dated as of June 15, 2005 (hereinafter, the "Lease"), covering a portion of the thirty-fourth (34th) floor (hereinafter, the "Premises") in the office building located at 60 Broad Street, New York, New York (hereinafter, the "Building"); Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Lease.

WHEREAS, Tenant has requested the right to install a satellite dish on the roof of the Building and Landlord agrees to grant its permission for same, subject to the terms and conditions of this Agreement.

WHEREAS, Landlord and Tenant wish to amend the Lease, as provided for hereinafter.

NOW, THEREFORE, for and in consideration of the sum of \$10.00, receipt of which is hereby acknowledged by Landlord, and other good and valuable consideration, it is mutually covenanted and agreed as follows:

1. Memorandum Confirming Term.

A. In accordance with Exhibit "B" attached to the Lease, Landlord and Tenant hereby confirm that:

- (1) The Commencement Date of the Lease Term is July 1, 2005;
- (2) The Expiration Date of the Lease Term is June 30, 2015; and
- (3) The Rent Commencement Date is January 16, 2006.

B. Tenant certifies that:

(1) Tenant has fully inspected the Premises and found the same to be as required by the Lease, and all conditions under the Lease to be performed by Landlord have been satisfied. Any Tenant Improvements required to be performed by Landlord have been Substantially Completed in accordance with the provisions of the Lease.

- (2) Tenant has accepted and is in full and complete possession of the Premises.

(3) The Lease is in full force and effect and constitutes the entire agreement with respect to Tenant's occupancy of the Premises.

(4) There are no defaults by Landlord under the terms of the Lease and no event has occurred which, with the giving of notice or the passage of time or both, would constitute a default by Landlord under the Lease.

2. Satellite.

A. Subject to the terms and conditions contained in this Agreement, Tenant shall have the non-exclusive right, at its sole cost and expense, to install, use, service, maintain and replace one (1) direct TV satellite dish with an aggregate diameter not exceeding eighteen inches (18") (the "Satellite") for Tenant's use and not for use by any other party for satellite reception/transmission to/from the Premises (and for no other purpose) during the Term. This Agreement does not constitute approval by Landlord as to the specific model or type of Satellite and, further, Landlord makes no representation or warranty whatsoever to Tenant with respect to the functioning, adequacy or efficiency of the Satellite. Notwithstanding anything to the contrary contained in this Agreement, Tenant shall not install any equipment other than the Satellite approved by Landlord without the prior written consent of Landlord. In the event that Tenant installs any additional equipment in the Premises, the Base Rent shall increase in an amount to be determined by Landlord at Landlord's reasonable discretion.

B. It is expressly understood and acknowledged that the installation and placement of the Satellite from both an aesthetic and an engineering standpoint, is of substantial importance to Landlord and the same shall be subject to Landlord's consent. Tenant may, upon reasonable notice to Landlord and at Tenant's own cost, repair, replace, reorient or remove the Satellite or any portion thereof, or replace it with generally similar equipment, provided that (1) any new equipment does not weigh substantially more than the Satellite and can be properly accommodated on the roof of the Building without placing materially greater demands upon the electrical, mechanical, structural, life safety and other building systems of the Building; (2) Tenant at its cost, shall restore roof to the condition in which it was prior to such repair, reorientation, removal or replacement, and all of such repair, reorientation, removal or replacement shall be performed in accordance with good engineering practice and by contractors or other persons approved by Landlord; (3) the aggregate diameter of the Satellite shall not exceed eighteen inches (18"); and (4) any replacement, reorientation or removal of the Satellite is subject to Landlord's prior written approval. Accordingly, prior to any repair, reorientation, removal, replacement or installation of the Satellite, Tenant shall deliver to Landlord for Landlord's review and approval, which approval shall not be unreasonably withheld or delayed, a set of scaled and dimensioned plans and specifications for the Satellite, which shall include, without limitation, the location of the Satellite on the roof, the floor and power load requirements of the Satellite, the location and kind of electrical or other services to and from the Satellite and detailed specifications of the means of attaching the Satellite to the roof and the means of its installation. Tenant shall complete the installation of the Satellite in accordance with the plans and specifications therefor approved by Landlord. No variation from the plans submitted to Landlord by Tenant for the installation of the Satellite will be permitted without the prior written consent of Landlord. Notwithstanding anything to the contrary contained herein, in installing the Satellite, Tenant shall not be permitted to penetrate the roof, but shall be permitted to anchor the Satellite to the roof using concrete blocks or other weights, subject to the load requirements. Any wiring for the Satellite shall be through existing sleeve installed in the Building by Landlord (if any). In the event there are no sleeves, Tenant shall install same, at its own cost and expense. Tenant shall install all screening required by Landlord such that the Satellite shall not be visible from any portion of the ground constituting the common areas.

C. Tenant agrees that the Satellite shall not be suffered or permitted to interfere with the use and operation of other facilities or equipment now or hereafter located on or in the Building and Landlord shall not be liable for interference with the use and operation of the Satellite by reason of the existence and operation of other satellite antennae or antennae or related equipment on or in the Building. Tenant shall immediately notify Landlord of any such interference. Tenant shall promptly notify Landlord of any injury or other statement made to it by the Federal Communications Commission related to this Agreement. Furthermore, the Satellite shall in all cases be installed, used, operated, maintained and removed in compliance

with the following requirements: (1) the Satellite shall not interfere in any way with the Building's existing engineering, window washing or other maintenance functions; (2) the Satellite must be properly secured and installed so as not to be affected by high winds or other elements; (3) the Satellite must be properly grounded; (4) the weight of the Satellite shall not exceed the load limits of the Building; and (5) in no event shall the Satellite or any appurtenant wiring or cable interfere with or otherwise affect the electrical, mechanical, structural, life safety or other building systems of the Building. Tenant shall maintain the Satellite in good order and repair. Tenant shall be responsible for the cost of the installation, service, repair, replacement and maintenance of the Satellite and related equipment and cabling and for any repair or damage caused by the Satellite or by Tenant or any of its employees, agents, contractors or invitees, and the Satellite shall be treated as if the Satellite were part of Tenant's personal property located within the Premises.

Tenant will indemnify, defend and hold harmless Landlord from and against any and all claims for damages due to its Satellite or the transmissions therefrom which cause any such interference. Tenant also agrees that it will appropriately filter and trap any and all byproducts or interference through existing broadcast installations and their signals or through other appropriate means.

D. Provided that Tenant is not in default under this Agreement, Tenant, its employees, agents and contractors shall have access to the Premises for the purposes of installation, maintenance and repair of the Satellite at reasonable times, which times (except in the case of emergency) shall be arranged in advance with Landlord. Tenant shall coordinate the installation activities with Landlord and shall neither bring the Satellite or any associated equipment to the roof, nor commence its installation on the roof, without first giving Landlord reasonable notice of the date and time of the planned installation. Landlord or its representatives may accompany Tenant whenever Tenant, its employees, agents or contractors enter the Building.

E. Provided that Tenant is not in default under the terms and conditions of this Agreement, upon termination of this Agreement, Tenant may (i) leave the Satellite on the roof (provided that Tenant obtains Landlord's prior written consent to do so) or (ii), at Tenant's sole cost and expense, remove the Communications Equipment and any related equipment and cabling and repair all damage caused by the installation and removal thereof. Notwithstanding the foregoing, Landlord may require Tenant to remove the Satellite and any related equipment and cabling and repair all damage caused by the installation and removal thereof. If, however, Tenant is in default under the terms and conditions of this Agreement, then, upon termination of this Agreement, at Landlord's sole option, Landlord may require Tenant to either leave the Satellite on the roof or, at Tenant's sole cost and expense, remove the Satellite and any related equipment and cabling and repair all damage caused by the installation and removal thereof.

F. Notwithstanding anything to the contrary herein, Tenant's right to install, operate and maintain the Satellite shall be subject to (and Tenant will, at all times, comply with) all applicable federal, state and local laws, statutes, codes, rules, ordinances and regulations and as well as the laws, statutes, codes, rules, ordinances and regulations of any governmental or quasi-governmental agency or authority, including, without limitation, applicable building and fire codes, as well as all requirements of the Federal Aviation Administration and the Federal Communications Commission in respect thereof. In connection with the foregoing, Tenant, at Tenant's own cost, shall be obligated to secure and obtain (and keep in force and renew, as applicable) all required permits, approvals and

By: /s/ Douglas R. Williams
Name: Douglas R Williams
Title: Executive Vice President

SECOND AMENDMENT OF LEASE

This Second Amendment of Lease (hereinafter, "Agreement") dated as of the 12th day of March, 2007, by and between WELLS 60 BROAD STREET LLC (hereinafter, the "Landlord"), c/o CRG Management, LLC, having a place of business at 1330 Avenue of the Americas, 23rd Floor, New York, New York 10019 and W.J. BONFANTI, INC., (hereinafter, the "Tenant"), a New York corporation, with offices at 44 Wall Street, 12th Floor, New York, NY 10005.

WITNESSETH:

WHEREAS, Landlord and Tenant entered into a lease dated as of June 15, 2005, as amended by the Amendment of Lease dated as of September 7, 2005, (hereinafter, the "Lease"), covering a portion of the thirty-fourth (34th) floor (hereinafter, the "Premises") in the office building located at 60 Broad Street, New York, New York (hereinafter, the "Building"); Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Lease.

WHEREAS, the obligations of the Tenant under the Lease have been guaranteed by William J. Bonfanti, Michael N. Romano, William J. Bonfanti Jr. and Craig A. Rothfeld (collectively, the "Guarantors") in accordance with a separate agreement of guaranty, a copy of which is annexed to the Lease as Exhibit "F" (the "Guaranty").

WHEREAS, Landlord and AVALON PARTNERS, INC. (hereinafter, "Avalon"), as tenant, entered into a lease dated October 1, 2001 (hereinafter, the "Avalon Lease"), covering a portion of the thirty-fourth (34th) floor in the Building (as shown on the floor plan attached hereto as Exhibit "A" and referred to hereinafter as the "Additional Premises").

WHEREAS, the term of the Avalon Lease is set to expire on October 30, 2011.

WHEREAS, pursuant to a Sublease dated as of February 12, 2007, Tenant, as subtenant, has sublet the "Additional Premises" from AVALON, as sublandlord; the foregoing act of subletting being referred to hereinafter as the "Sublease".

WHEREAS, in connection with the Sublease, Landlord, Tenant and Avalon entered into the Consent to Sublease executed as of March 22, 2007.

WHEREAS, Tenant has notified Landlord of its desire to lease the Additional Premises directly from Landlord upon the expiration of the term of the Avalon Lease.

WHEREAS, Landlord and Tenant wish to amend the Lease, as provided for hereinafter.

NOW, THEREFORE, for and in consideration of the sum of \$10.00, receipt of which is hereby acknowledged by Landlord, and other good and valuable consideration, it is mutually covenanted and agreed as follows:

1. Subject to the terms and conditions contained in this Agreement, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Additional Premises. The term of the Lease for the Additional Premises shall commence on November 1, 2011 ("Additional Premises Commencement Date") and expire co-terminously with the term for the Premises on June 30, 2015 ("Expiration Date"). Except as otherwise provided in this Agreement, as of the Additional Premises Commencement Date, the Additional Space shall be deemed part of the Premises for all purposes of the Lease.

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2. In addition to the Base Rent due for the Premises as provided for in the Lease, Tenant agrees to pay Base Rent for the Additional Premises, in accordance with the terms of the Lease, as follows:

Additional Premises Commencement Date	\$194,445.00 per annum
through June 30, 2015	\$ 16,203.75 per month

3. The following changes to the terms and conditions of Article 4 of the Lease shall be applicable to the Additional Premises only as of the Additional Premises Commencement Date:

A. The "Tenant's Percentage" (as defined in Section 1.10 of the Lease) shall be .45% (.0045).

B. The "Base Tax Year" (as defined in Section 4A(iii) of the Lease) shall mean the average of (i) the fiscal year commencing July 1, 2006 and ending June 30, 2007 and (ii) the fiscal year commencing July 1, 2007 and ending June 30, 2007.

C. The "Base Operating Year" (as defined in Section 4A(vii) of the Lease) shall mean the calendar year commencing January 1, 2007 and ending December 31, 2007.

D. Tenant shall compensate Landlord for supplying Tenant with electrical current in the Additional Premises as of the Additional Premises Commencement Date in accordance with the terms of the Lease, and, shall pay any and all other fees defined as Additional Rent in the Lease in accordance with the terms and conditions of the Lease.

4. Amending Article 59 of the Lease, (i) the phrase, "the thirty-seventh (37th) month of the Lease Term" in the seventh (7th) paragraph of such Article shall be replaced with "November 1, 2011", and (ii) the phrase, "the sixty-first (61st) month of the Lease Term" in the eighth (8th) paragraph of such Article shall be replaced with "November 1, 2013".

5. Tenant agrees and acknowledges that it shall accept the Additional Premises in its "as is" condition as of the Additional Premises Commencement Date. Tenant acknowledges that it has inspected and examined the Additional Premises and is thoroughly familiar and satisfied with the condition

On the 15th day of March, 2007, before me, the undersigned, personally appeared William J. Bonfanti to me personally known or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the within instrument; and thereupon acknowledged to me that he executed the same.

/s/ [ILLEGIBLE]
Notary Public

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PRINT NAME: Michael N. Romano
SIGNATURE: /s/ Michael N. Romano

SSN:
STATE OF NEW)
) ss.:
COUNTY OF)

On the 15th day of March, 2007, before me, the undersigned, personally appeared Michael N. Romano to me personally known or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the within instrument; and thereupon acknowledged to me that he executed the same.

/s/ Gregory Maleski
Notary Public

PRINT NAME: William J. Bonfanti, Jr.
SIGNATURE: /s/ William J. Bonfanti, Jr. [ILLEGIBLE]

SSN:
STATE OF NEW)
) ss.:
COUNTY OF)

On the 15th day of March, 2007, before me, the undersigned, personally appeared William J. Bonfanti, Jr. to me personally known or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the within instrument; and thereupon acknowledged to me that he executed the same.

/s/ Gregory Maleski
Notary Public

5

PRINT NAME: Craig A. Rothfeld
SIGNATURE: /s/ Craig A. Rothfeld

SSN:
STATE OF NEW)
) ss.: [ILLEGIBLE]
COUNTY OF)

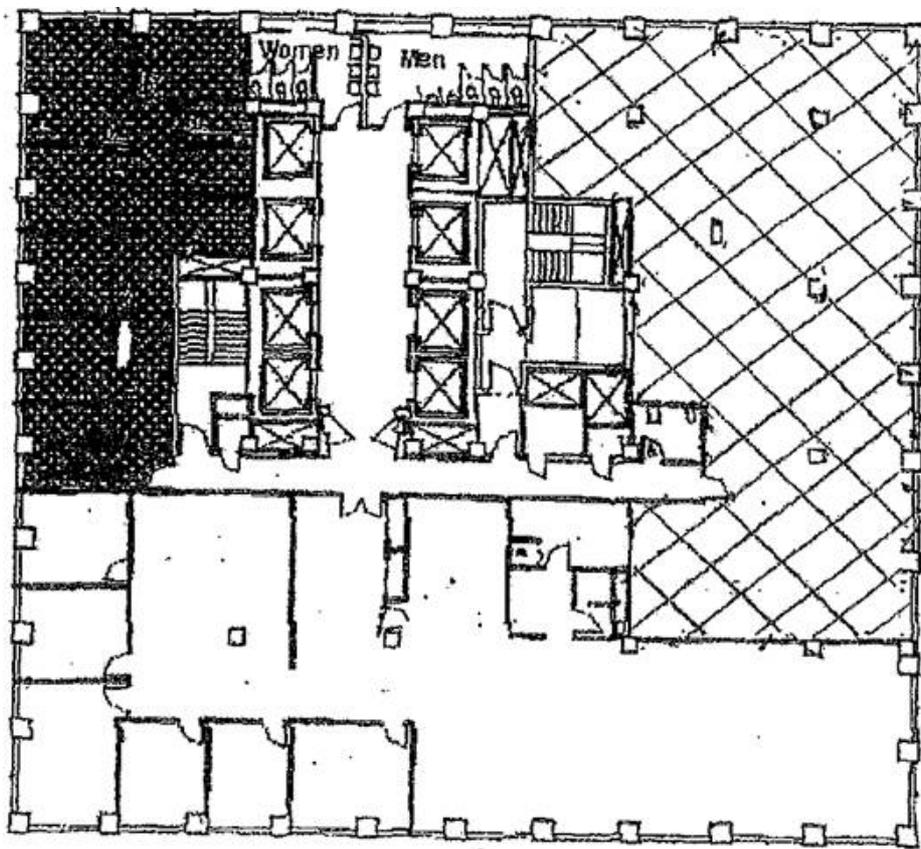
On the 15th day of March, 2007, before me, the undersigned, personally appeared Craig A. Rothfeld to me personally known or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the within instrument; and thereupon acknowledged to me that he executed the same.

/s/ Gregory Maleski
Notary Public

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Exhibit "A"

7



34th Floor

60 Broad Street



Additional Premises

EXHIBIT "B-2"

AVALON SUBLEASE

15

SUBLEASE

Sublease (the "**Sublease**") dated as of February 12, 2007, between **AVALON PARTNERS, INC.**, a New York corporation having an office at 60 Broad Street, 33rd Floor, New York, New York 10004 ("**Sublessor**") and **W.J. BONFANTI, INC.**, a New York corporation having an office at 60 Broad Street, 34th Floor, New York, New York 10004 ("**Subtenant**").

1. Demise and Term.

a. Sublessor hereby subleases to Subtenant, and Subtenant hereby hires from Sublessor, approximately 4,321 rentable square feet of commercial office space constituting a portion of the thirty-fourth (34th) floor in the building located at 60 Broad Street, New York, New York (the "**Building**"), as shown on the cross-hatch of the floor plan on **Exhibit "A"** annexed hereto and made a part hereof (the "**Subleased Premises**"). The Subleased Premises is the entire premises (the "**Premises**") that has been leased to Sublessor under a lease dated October 1, 2001 between 60 Broad Street LLC, as landlord (the "**Landlord**") and Sublessor, as tenant (the "**Prime Lease**"). A redacted copy of the Prime Lease is annexed to this Sublease as **Exhibit "B"** and made a part hereof.

b. The term (the "**Term**") of this Sublease shall commence ten (10) days following the date that Landlord may give its Consent (hereinafter defined) to this Sublease in the manner required by this Sublease and the Prime Lease (the "**Commencement Date**") and expire at 11:59 P.M. on October 30, 2011 (the "**Expiration Date**") unless sooner canceled or otherwise terminated as provided in this Sublease. Notwithstanding the foregoing, Sublessor shall not be subject to any liability for its failure to deliver the Subleased Premises to Subtenant by any particular date and the validity of this Sublease shall not be impaired thereby nor the Expiration Date extended thereby.

c. Sublessor represents and warrants to Subtenant that (i) the copy of the Prime Lease attached hereto as **Exhibit "B"** is a true and accurate copy of the Prime Lease and the Prime Lease has not been amended or modified except as expressly set forth in **Exhibit B** attached hereto, (ii) Sublessor is not now, and as of the Commencement Date will not be, in default or breach of any of the provisions of the Prime Lease, (iii) Sublessor has no knowledge of any claim by Landlord that Sublessor is in default or breach of any of the provisions of the Prime Lease, (iv) Sublessor has no knowledge of any default or breach by Landlord of any of the provisions of the Prime Lease, and (v) no other agreements exist by and between Landlord and Sublessor affecting the Subleased Premises except for those set forth in **Exhibit "B"** attached hereto.

2. Rent.

a. During each Lease Year (as hereinafter defined) of the Term, Subtenant shall pay to Sublessor Fixed Rent as set forth below, which shall be payable in advance on the first (1st) day of each calendar month during the Term of this Sublease and shall be delivered to Sublessor at Sublessor's address set forth above, except that one full monthly installment of Fixed Rent due under this Sublease shall be paid concurrently with the execution and delivery of this Sublease by Subtenant, which payment shall be applied toward Fixed Rent first accruing under this Sublease. If the Commencement Date shall be other than the first (1st) day of a calendar month

and/or the Expiration Date does not fall on the last day of a calendar month, then in each case the Fixed Rent for the calendar month in which the Commencement Date or the Expiration Date (as the case may be) falls shall be prorated in the proportion that the number of days in that month falling within the term of this Sublease bears to the total number of days in that calendar month. A "Lease Year" shall mean a period of twelve (12) consecutive calendar months. The first Lease Year shall commence on the Commencement Date, and shall end with the expiration of the next succeeding twelve (12) months, plus the number of days, if any, required to have the period end at the expiration of the calendar month, and each Lease Year shall run consecutively thereafter.

<u>Lease Year</u>	<u>Annual Fixed Rent</u>	<u>Monthly Fixed Rent</u>
1	\$ 172,840.00	\$ 14,403.33
2	\$ 178,025.20	\$ 14,835.43
3	\$ 183,365.96	\$ 15,280.50
4	\$ 188,866.94	\$ 15,738.92
5 (partial)	n/a	\$ 16,211.08

b. In addition to Fixed Rent payable during the Term, Subtenant shall pay to Sublessor \$12,963.00 per annum payable in equal monthly installments of \$1,080.25, which represents electric charges of \$3.00 per rentable square foot allocated to the approximate rentable square footage of the Subleased Premises.

c. In addition to Fixed Rent, Subtenant shall be responsible to pay to Sublessor Tenant's Share (0.45%) of Taxes, as defined in and in accordance with Article 4 of the Prime Lease, which are in excess of Taxes for the 2006/2007 Tax Year. Sublessor represents to Subtenant that Tenant's Share pursuant to this subparagraph (c) is the same percentage set forth in the Prime Lease.

d. Subtenant shall pay to Sublessor on demand any and all amounts payable by Sublessor to the Landlord pursuant to the provisions of the Prime Lease, except rent and additional rent, in respect of Subtenant's use of the Subleased Premises only, for all periods occurring within the term of this Sublease. Subtenant shall pay all charges specifically attributable to the Subleased Premises and Subtenant's use and occupancy thereof and shall not be obligated to pay any amount in respect of charges attributable to any space other than the Subleased Premises. Such charges may be billed to Subtenant either by Sublessor or directly by Landlord, and shall include, for example and without limitation, charges for extra services furnished (such as air conditioning) and building directory listings.

e. Subtenant shall not be entitled to any abatement or other adjustment of the rent payable under this Sublease as the result of the failure, interruption, diminution, or other impairment of any services except as specifically provided herein or in the Prime Lease.

f. All amounts required to be paid under this Sublease by Subtenant to Sublessor shall be deemed "rent". No payment by Subtenant or receipt by Sublessor of an amount less than

the amount required to be paid hereunder shall be deemed other than on account of the earliest unpaid rent; nor shall any endorsement or statement on any check, letter, or other document be deemed an accord and satisfaction, and Sublessor may accept any check or payment without prejudice to Sublessor's right to recover the balance due or to pursue any other right or remedy available to Sublessor.

g. If Subtenant fails to pay in a timely manner any rent or additional rent under this Sublease and said rent shall not be paid by the fifth (5th) day after said amount is due, interest shall accrue on the amount overdue, from the date on which that amount became due and payable until paid, at the maximum rate permitted by law. All such interest for a month shall be due and payable on the first day of the following month. Nothing contained in this subsection, and no acceptance of interest or late charges by Sublessor, shall be construed to extend or change the time for payment of rent or to impair, limit, or otherwise affect any other rights or remedies Sublessor may have as the result of Subtenant's failure to timely pay rent.

h. Notwithstanding anything to the contrary set forth in this Paragraph 2, Subtenant's obligation to pay Fixed Rent to Sublessor hereunder shall commence thirty (30) days following the Commencement Date.

3. Subject To Prime Lease.

This Sublease is and shall be subject and subordinate to the Prime Lease and to all matters to which the Prime Lease is and shall be subject and subordinate. Notwithstanding anything to the contrary contained in this Sublease, Subtenant does not have any rights in respect of the Subleased Premises greater than Sublessor's rights under the Prime Lease. The provisions, terms, conditions and covenants of the Prime Lease, except as to the amount of the rent, are incorporated by reference into this Sublease such that, except to the extent that they are inapplicable or specifically modified by the provisions of this Sublease for the purposes of incorporation by reference, each and every provision, term, condition and covenant of the Prime Lease binding upon or inuring to the benefit of Landlord thereunder shall, in respect of this Sublease, bind or inure to the benefit of Sublessor, and each provision of the Prime Lease binding upon or inuring to the benefit of the tenant or lessee thereunder shall, in respect of this Sublease, bind or inure to the benefit of Subtenant, with the same force and effect as though those provisions were completely set forth in this document. To the extent possible, the provisions of the Prime Lease incorporated by reference into this Sublease shall be construed as consistent with and complementary to the other provisions of this Sublease, but in the event of any inconsistency, those provisions of this Sublease not incorporated by reference from the Prime Lease shall control.

4. Services.

a. All systems serving and services furnished to the Subleased Premises and all maintenance, repairs, replacements, restorations, alterations, and other work pertaining to the Subleased Premises, if any, are not to be furnished or made by or otherwise be the obligation of Sublessor. Without limiting the generality of the foregoing, (1) Sublessor shall not be responsible for any failure or interruption, for any reason whatsoever, of any of the services supplied at the Subleased Premises or the property of which the Subleased Premises is a part, including heat, ventilation, air-conditioning, electricity, water, elevator, and cleaning, if any, and (2) no failure to furnish, or interruption of, any of such services shall give rise to any (a)

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abatement, diminution, or reduction of Subtenant's obligations under this Sublease, except to the extent provided above in this Sublease with respect to instances in which Sublessor shall be entitled to an abatement of rent payable under the Prime Lease, (b) constructive eviction, in whole or in part, or (c) liability on the part of Sublessor. Notwithstanding the foregoing, the parties contemplate that Landlord shall, in fact, perform its obligations under the Prime Lease and in the event of any default or failure of such performance by Landlord, Sublessor agrees that it will, upon notice from Subtenant, make demand upon Landlord to perform its obligations under the Prime Lease and, provided that Subtenant specifically agrees to pay all costs and expenses of Sublessor and provides Sublessor with security reasonably satisfactory to Sublessor to pay such costs and expenses, Sublessor will take appropriate legal action to enforce the Prime Lease.

b. Any obligation of Sublessor contained in this Sublease by the incorporation by reference of provisions of the Prime Lease may be fully observed or performed by Sublessor's using reasonable efforts, upon request of Subtenant, to cause Landlord to observe and/or perform that obligation, and Sublessor shall not otherwise be required to make any payment (other than to pay the rent due under the Prime Lease if Subtenant shall have timely paid all the rent then due under this Sublease) or to take any action (other than to perform any of its other obligations under the Prime Lease that are not also obligations of Subtenant under this Sublease), and shall not otherwise have any liability to Subtenant with respect to such obligations; without limiting the generality of the foregoing, the obligation of Sublessor to use reasonable efforts to cause observance or performance by Landlord of Landlord's obligations under the Prime Lease shall not be construed as requiring Sublessor to pay any money or incur any cost or liability beyond that for which it is obligated under the Prime Lease or to institute or prosecute any legal action or proceeding. All costs reasonably incurred by Sublessor at the direction or with the knowledge of Subtenant in seeking to cause Landlord to perform its obligations under the Prime Lease with respect to the Subleased Premises shall be promptly paid directly by Subtenant or reimbursed by Subtenant to Sublessor, as Sublessor may direct. To the extent that any proposed action by the Subtenant may require the consent of the Landlord, Sublessor agrees to use its reasonable best efforts to assist Subtenant in making such request on behalf of the Subtenant, provided that such assistance shall be at Subtenant's sole cost and expense.

5. Use.

Subtenant shall use and occupy the Subleased Premises only for executive, general and administrative offices for a securities brokerage firm and in no other manner and for no other purpose. Subtenant shall maintain and repair the Subleased Premises in the condition required by the Prime Lease and otherwise perform all other obligations of the tenant or lessee under the Prime Lease insofar as they relate to the Subleased Premises. Subtenant shall not do, or permit to be done with respect to the Subleased Premises, anything that would constitute a breach or violation of any term, covenant, or condition of the Prime Lease or other default under Prime Lease on the part of the tenant or lessee thereunder, whether or not it would be otherwise permitted under this Sublease. During the Term, Subtenant shall have access to the Subleased Premises twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year.

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6. Condition Of Subleased Premises.

a. Subtenant is leasing and accepts the Subleased Premises "AS IS", reasonable wear and tear, natural deterioration, and casualty damage excepted. Without limiting the generality of the foregoing, Sublessor shall have no obligation to make, supply, or perform any alterations, services, material, fixtures, equipment, or decorations to the Subleased Premises. In entering into this Sublease, Subtenant has relied solely on such investigations, examinations, and inspections as Subtenant has chosen to make; Subtenant acknowledges that Sublessor has afforded Subtenant the opportunity for full and complete investigations, examinations, and inspections.

b. Notwithstanding the foregoing, during the term of this Sublease, Subtenant shall have the right to use the existing furniture, personal property and equipment located in and servicing the Subleased Premises (collectively the "**Furniture**") as set forth on the inventory list on Exhibit "C" annexed hereto and made a part hereof. The Furniture shall be delivered to Subtenant in its "AS IS" condition and state of repair on the Commencement Date and without representation or warranty by Sublessor. Subtenant, at its sole cost and expense, shall maintain and repair the Furniture during the Term and Sublessor shall have no obligation to maintain, repair or replace any of the Furniture. Except as provided below, Sublessor shall retain all right, title and interest in and with respect to the Furniture. On or prior to the Expiration Date, Sublessor shall deliver to Subtenant a bill of sale transferring to Subtenant, for the sum of \$1.00, all of Sublessor's right, title and interest in and with respect to the Furniture in its then "AS IS" condition and without representation or warranty, except the bill of sale transferring the Furniture to Subtenant shall contain Sublessor's representation that Sublessor is then the owner of the Furniture, free of all liens and encumbrances. If ownership of the Furniture shall be transferred to Subtenant as aforesaid, then Subtenant shall remove the Furniture from the Subleased Premises on or prior to the Expiration Date and repair any and all damage to the Subleased Premises, the Premises or the Building caused by such removal.

7. Indemnity.

a. Subtenant shall indemnify and hold harmless Sublessor from and against all losses, costs, damages, and liabilities, including reasonable attorneys' fees, that Sublessor may incur by reason of claims based upon any (1) accidents, damages, or injuries to persons or property occurring in, on, or about the Subleased Premises during the Term of tin's Sublease (unless caused by negligence on the part of Sublessor), (2) work done in or to the Subleased Premises (except for any work done in the Subleased Premises by Sublessor), (3) act, omission, or negligence on the part of Subtenant and/or its officers, employees, agents, customers, or invitees, and/or any other person claiming through or under Subtenant, or (4) breach or default on the part of Subtenant under this Sublease.

b. Sublessor shall indemnify and hold harmless Subtenant from and against all losses, costs, damages, and liabilities, including reasonable attorneys' fees, that Subtenant may incur by reason of claims based upon any (1) accidents, damages, or injuries to persons or property occurring in, on, or about the Subleased Premises caused by negligence on the part of Sublessor, (2) work done in or to the Subleased Premises by Sublessor, (3) act, omission, or negligence on the part of Sublessor and/or its officers, employees, agents, customers, or invitees,

and/or any other person claiming through or under Sublessor, or (4) breach or default on the part of Sublessor under the Prime Lease or this Sublease.

8. Insurance/Releases.

a. Subtenant shall maintain in effect for and throughout the term of this Sublease, and for and throughout any other period of occupancy of the Subleased Premises by Subtenant, all insurance coverage that is required to be maintained by Sublessor pursuant to Article 24 of the Prime Lease in respect of the Subleased Premises. Subtenant shall deliver to Sublessor a fully paid-for policy or certificate prior to the Commencement Date which policy or certificate shall name Sublessor and Landlord as additional insured parties thereunder. Subtenant shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Subtenant shall deliver to Sublessor such renewal policy or certificate at least thirty (30) days before the expiration of any existing policy. All such policies shall be issued by companies of recognized responsibility licensed to do business in the State of New York and approved by Sublessor, and all such policies shall contain a provision whereby the same cannot be canceled or modified unless Sublessor is given at least ten (10) days' prior written notice of such cancellation or modification. Subtenant shall cause Sublessor to be named as an additional insured under all applicable insurance policies.

b. Prior to the Commencement Date, and upon request of Sublessor from time to time, Subtenant shall furnish to Sublessor reasonably satisfactory evidence of the effectiveness of the insurance coverage required to be maintained under this Sublease.

c. All insurance policies maintained by Subtenant shall provide that they cannot be canceled, materially amended, or not renewed as to Sublessor except upon not fewer than thirty (30) days' prior written notice by the insurer to Sublessor.

d. If for any reason Subtenant shall not be able to obtain or maintain in effect any of the insurance required under the Prime Lease and Sublessor shall maintain such insurance, then Subtenant shall pay directly or reimburse Sublessor for Subtenant's share of all costs incurred in maintaining such insurance, as directed by Sublessor, provided that Subtenant shall have been named as an additional insured under the applicable insurance policies.

e. Subtenant hereby releases Landlord and anyone claiming through or under Landlord by way of subrogation or otherwise to the extent that Sublessor has released Landlord and/or Landlord has been relieved of liability or responsibility pursuant to the provisions of the Prime Lease; and in that regard, Subtenant shall cause its insurance policies to include any clauses or endorsements in favor of Landlord that Sublessor is required to provide pursuant to the provisions of the Prime Lease.

9. Consents.

a. In each instance that Sublessor's consent or approval shall be required under this Sublease, whether or not to grant or withhold that consent or approval shall be within Sublessor's sole discretion unless otherwise specifically provided.

b. Sublessor's refusal to consent to or approve any matter shall be deemed reasonable, without limitation, if consent or approval with regard to that matter shall not have

been obtained from Landlord but is required under the Prime Lease, provided that Sublessor shall have requested the required consent or approval from Landlord within ten (10) business days after the consent or approval shall have been requested by Subtenant.

c. If Subtenant shall seek the approval by or consent of Sublessor and Sublessor shall fail or refuse to give such consent or approval, Subtenant shall not be entitled to any damages for any withholding or delay of such approval or consent by Sublessor; Subtenant's sole remedy for that failure or refusal shall be an action for injunction or specific performance, and those remedies shall be available only in those instances with respect to which Sublessor shall have expressly agreed in writing not to unreasonably withhold or delay its consent.

10. Assignment and Subletting.

a. Subtenant shall not, by operation of law or otherwise, assign, sell, mortgage, pledge or in any manner transfer this Sublease or any interest therein, or grant any sublet, concession or license or otherwise permit occupancy of all or any part of the Subleased Premises by any person, without the prior written consent of Sublessor, which consent shall not be unreasonably withheld or delayed.

b. If Sublessor shall give its consent to any sublease or if Subtenant shall enter into any other sublease permitted hereunder, Subtenant shall in consideration therefor, pay to Sublessor, as additional rent, an amount equal to fifty (50%) percent of any rents, additional charges or other consideration payable under the sublease on a per square foot basis to Subtenant by the subtenant which is in excess of the Fixed Rent and additional rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Subtenant hereunder) pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Subtenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Subtenant's federal income tax returns), less all expenses reasonably and actually incurred by Subtenant on account of brokerage commissions, advertising costs, the direct cost of negotiating and preparing the sublease and the cost of making improvements to the premises so sublet in connection with such sublease, provided that Subtenant shall submit to Sublessor a receipt evidencing the payment of such expenses (or other proof of payment as Sublessor shall require). The sums payable under this subsection (b) shall be paid to Sublessor as and when payable by the subtenant to Subtenant.

11. Security.

a. Simultaneously with the execution of this Sublease, Subtenant shall also deposit with Sublessor a security deposit (the "**Security Deposit**") in the amount of \$72,016.65 for the faithful performance and observance by Subtenant of the terms and conditions of this Sublease in the form of a clean, automatically self renewing, non-expiring, and irrevocable letter of credit (the "**Letter of Credit**") issued to Sublessor by a federally-insured lending institution reasonably acceptable to Sublessor, which is a member of the New York Clearinghouse. The Letter of Credit shall unequivocally state on its face that it shall be effective and in place for a term of no less than one (1) year and shall automatically self-renew through and including thirty (30) days following the expiration of the Term. In the event that for any reason whatsoever the Letter of Credit shall expire or shall fail to be renewed or replaced within ninety (90) days prior to its then expiration or renewal date, then Sublessor shall have the unconditional right to draw upon the

existing Letter of Credit and to hold such sums as security for Subtenant's performance under this Sublease. The Letter of Credit must state on its face that it is freely transferrable without payment by Sublessor of any fee or consideration therefor.

b. Upon the expiration of the Term, and provided Subtenant is not in default hereunder, Sublessor shall return the Security Deposit to Subtenant, less such portion thereof as Sublessor shall have appropriated to satisfy any default by Subtenant hereunder. In the event of any default by Subtenant hereunder during the Term, Sublessor shall have the right, but shall not be obligated, to use, apply or retain all or any portion of the Security Deposit for (i) the payment of any Fixed Rent or Additional Rent or any other sum as to which Subtenant is in default, or (ii) the payment of any amount which Sublessor may spend or become obligated to spend to repair physical damage to the Premises pursuant to the Lease, or (iii) the payment of any amount Sublessor may spend or become obligated to spend, or for the compensation of Sublessor for any losses incurred, by reason of Subtenant's default. If any portion of the Security Deposit is so used or applied, within five (5) business days after written notice to Subtenant of such use or application, Subtenant shall deliver a replacement Letter of Credit in the face amount of the amount drawn down upon so that the Security Deposit is restored to its original amount, and Subtenant's failure to do so shall constitute an event of default under this Sublease.

12. Default by Subtenant.

In the event Subtenant defaults under any of the terms and conditions contained in this Sublease, Sublessor shall be entitled to exercise all of its rights and remedies against Subtenant pursuant to Articles 19 and 20 of the Prime Lease.

13. No Waiver.

The failure of Sublessor to insist upon the strict performance or observance of any obligation of Subtenant under this Sublease or to exercise any right or other remedy under or with, respect to this Sublease shall not be construed as a waiver or relinquishment for the future of that obligation, right or other remedy of Sublessor. Sublessor's receipt and acceptance of any rent, or acceptance of performance by Subtenant of any other obligation, with knowledge of Subtenant's breach or default under this Sublease, shall not be construed as a waiver of that breach or default. No waiver by Sublessor of any provision of this Sublease shall be deemed to have been made unless specifically expressed in a writing signed by Sublessor.

14. Brokerage.

Sublessor and Subtenant each represent to the other that each has not dealt with any broker in connection with this Sublease other than Newmark Knight Frank and Studley, Inc. (collectively the "**Broker**") nor has it any knowledge of any broker other than the Broker who has been or has claimed to have been involved or instrumental in any way in bringing about this Sublease. Sublessor agrees that it shall be responsible for the payment of any fees or commissions due to the Broker pursuant to the terms of a separate agreement. Sublessor and Subtenant shall each indemnify, defend, and hold harmless the other from and against all losses, damages, costs, and liabilities (including, without limitation, reasonable attorneys' fees) arising in connection with such claims made by any broker, other than the Broker, or other person for a brokerage commission, finder's fee, or similar compensation, by reason of or in connection with

this Sublease, or out of any breach of the foregoing representation and warranty by the respective indemnitor.

15. Notices.

All notices, requests, approvals, waivers, consents, deliveries, or other communications ("**Notices**") that either party is required or desires to send to the other in connection with this Sublease shall be in writing, duly executed by the party sending the Notice, and sent by registered, or certified mail, return receipt requested, with postage prepaid, or by nationally recognized overnight carrier, addressed as follows: (a) if to Subtenant, (1) prior to the Commencement Date, to Subtenant's address set forth at the beginning of this Sublease or to such other address as Subtenant shall then have designated for that purpose by notice to Sublessor and a copy shall be sent in the same manner to Platzer, Swergold, Karlin, Levine, Goldberg & Jaslow, LLP, 1065 Avenue of the Americas, New York, New York 10018, Attention: Mark Skolnick, Esq. and (2) after the Commencement Date, to its address at the Subleased Premises and (b) if to Sublessor, to Sublessor's address set forth at the beginning of this Sublease or to such other address as Sublessor shall then have designated for that purpose by notice to Subtenant, and a copy shall be sent in the same manner to Platte, Klarsfeld, Levine & Lachtman, LLP, 10 East 40th Street, New York, New York 10016, Attention: David R. Lachtman, Esq. Except in any instance where it may be otherwise specifically provided in this Sublease, Notices shall be deemed given or served on the date delivery of the Notice is tendered by the postal service or overnight carrier.

16. Complete Agreement.

There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Sublease which are not fully expressed in this Sublease.

17. End of Term.

Upon the Expiration Date, Subtenant shall vacate the Subleased Premises and remove all of its property and the Furniture therefrom. If Subtenant shall fail to surrender possession of the Subleased Premises as aforesaid, then the Monthly Fixed Rent during any such holdover period shall be 200% of the rent payable by Subtenant during the final month of the term of this Sublease. For purposes of this clause, Monthly Fixed Rent shall include all Additional Rent, including, without limitation, any amounts payable under applicable escalation clauses.

18. No Personal Liability.

Sublessor, its partners and principals, disclosed or undisclosed, shall have no personal liability under this Sublease.

19. Miscellaneous.

a. **Governing Law.** This Sublease shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without regard to conflict of laws principles.

b. Successors and Assigns. Subject to the restrictions on assignment and subletting in this Sublease and in the Lease, this Sublease and the covenants and agreements herein contained and incorporated herein by reference shall bind and inure to the benefit of the respective successors and assigns of the parties hereto.

c. Captions. The captions contained in this Sublease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Sublease nor the intent of any provision hereof.

d. Counterparts. This Sublease may be executed in one or more counterparts, each of which shall be an original and all of which taken together shall constitute but one and the same instrument.

20. Limited Guaranty.

In order to induce Sublessor to enter into this Sublease with Subtenant, Michael N. Romano, Craig A. Rothfeld, and William J. Bonfanti, Jr., principals of Subtenant, agree to guarantee the obligations of Subtenant pursuant to the terms of that certain limited guaranty annexed hereto as Exhibit "D" and made a part hereof.

21. Landlord's Consent.

Notwithstanding anything contained in this Sublease to the contrary, the term of this Sublease shall not commence unless and until Landlord shall have given its written consent (the "**Consent**") to this Sublease in accordance with the provisions of the Prime Lease. In the event Landlord's Consent is not received by March 12, 2007, then either party shall have the right to terminate this Sublease upon written notice to the other party, whereupon the parties hereto shall have no further obligations or liabilities to one another hereunder.

IN WITNESS WHEREOF, Sublessor and Subtenant have executed and delivered this Sublease as of the date first above written.

Sublessor:

AVALON PARTNERS, INC.

By: /s/ Vincent Au
 Name: Vincent Au
 Title: CEO

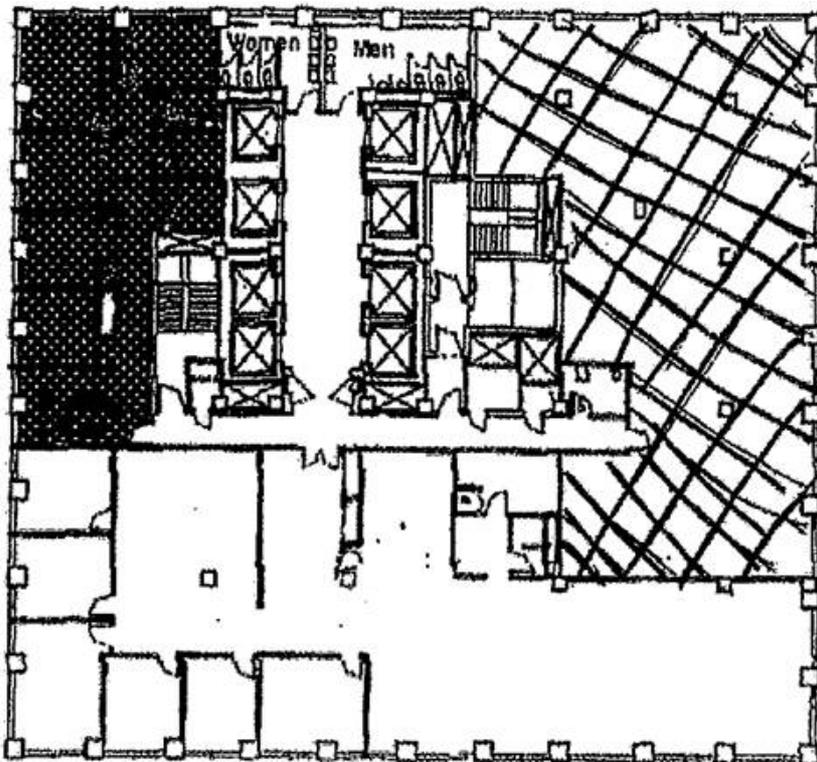
Subtenant:

W.J. BONFANTI, INC.

By: /s/ Craig A. Rothfeld
 Name: Craig A. Rothfeld
 Title: Executive Director

EXHIBIT "A"

DESCRIPTION OF SUBLEASED PREMISES



34th Floor

60 Broad Street



= Premises

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EXHIBIT "B"

PRIME LEASE

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EXHIBIT "C"

FURNITURE INVENTORY

Description

- 13 hardwood desks
- 13 divider cabinets
- 17 hardwood tables
- 8 chairs
- 20-30 phones
- 20 phone racks
- 1 large fridge
- 1 small fridge
- 3 computer monitors w/ keyboard
- 4 rolling cabinets
- 2 Large mailroom cabinets
- 1 Metal Gong
- 3 server room cabinets
- 3 TV wall stands

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EXHIBIT "D"

LIMITED PERSONAL GUARANTY

1. As an inducement to AVALON PARTNERS, INC. (the "Sublessor") to accept a sublease dated the day of February 2007 (the "Sublease") between Sublessor and W. J. BONFANTI, INC., as sublessee respecting a portion of the premises located on the thirty-fourth (34th) floor in the building known as 60 Broad Street, New York, New York (the "Subleased Premises"), the undersigned (the "Guarantor") hereby personally guarantees to Sublessor the payment of all rent and additional rent payable by the "Subtenant" (as defined below) under the Sublease up through the "Surrender Date" (defined below). As used herein, the "Subtenant" means W. J. BONFANTI, INC. and includes, and any and all of its permitted successors or assigns, if there are any, and any party claiming rights in or to the Subleased Premises to the Sublease under or through Subtenant, or any of its successors or assigns at any time during or after the term of the Sublease. Nothing contained herein shall alter the assignment and subletting provisions of the Sublease or modify the Sublease in any other manner.

2. The purpose of this Limited Guaranty is to assure Sublessor (and Sublessor's successors and assigns) that the payment of all rent and additional rent (including, but not limited to, Fixed Rent and Additional Rent for any and all damages, costs, fees and expenses) accruing under the Sublease through the Surrender Date shall be made by the Guarantor if the same is not paid by Subtenant. The "Surrender Date" means the date on which Subtenant has given Sublessor possession of the Subleased Premises, broom clean, free of all liens, claims, damages, occupants and personal property and otherwise in the condition required under the Sublease upon expiration of the term of the Sublease and Subtenant has paid all Fixed Rent and Additional Rent for any and all other charges then accrued under the Sublease and an effective instrument of surrender in form satisfactory to Sublessor has been signed and delivered by Subtenant to Sublessor without prejudice to Sublessor's rights to recover Fixed Rent and any and all additional rents for the unexpired balance of the term of the Sublease as provided in the Sublease. Nothing contained herein or in any such instrument shall relieve Subtenant of liability to Sublessor at any time (whether before or after the Surrender Date), and any liability of the Guarantor for any claims of Sublessor against arising under the Sublease on or before the Surrender Date shall survive the Surrender Date.

3. Any security deposit under the Sublease shall not be credited against amounts payable by Subtenant, or by Guarantor, under the terms of this Guaranty. The acceptance by Sublessor of payments under this Guaranty or the acceptance of a surrender of the Subleased Premises shall not be deemed a release or waiver by Sublessor of any obligation of the Subtenant under the Sublease or the Guarantor under this Guaranty.

4. This Guaranty is absolute and unconditional and is a guaranty of payment and performance, not of collection, and Guarantor's liability hereunder shall be primary. If there is more than one individual signing this Guaranty as the Guarantor, the liability of each of them shall be joint, several and personal. This Guaranty may be enforced without the necessity of resorting to or exhausting any other security or remedy, without the necessity at any time of having recourse to Subtenant and without having commenced any action against Subtenant or having obtained any judgment against Subtenant. The validity of this Guaranty shall not be affected or impaired by reason of the assertion by Sublessor against Subtenant of any of the rights or remedies reserved to Sublessor under the Sublease. Guarantor agrees that this Guaranty

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shall remain in force and effect as to any assignment, transfer, renewal, modification or extension of the Sublease and for any holdover period after expiration or termination of the Sublease. No action or inaction of Sublessor or Subtenant shall affect the obligations of Guarantor hereunder. The Guarantor waives notice of any and all defaults by Subtenant in the payment of annual base rent, additional rent, or any other charges, and waives notice of any and all defaults by Subtenant in the performance of any of the terms of the Sublease on Subtenant's part to be performed. The Sublease may be modified without Guarantor's consent and any such modification signed by Sublessor and Subtenant shall not release the Guarantor.

5. Until all terms, covenants and conditions in the Sublease on the Subtenant's part to be paid, kept, performed and observed are fully paid, kept, performed and observed, the Guarantor: (a) shall have no right of subrogation against the Subtenant by reason of any payments or acts of performance by the Guarantor, in compliance with the obligations of the Guarantor hereunder; (b) waives any right to enforce any remedy which the Guarantor now or hereafter shall have against the Subtenant by reason of any one or more payments or acts of performance in compliance with the obligations of the Guarantor hereunder; and (c) subordinates any liability or indebtedness of the Subtenant now or hereafter held by the Guarantor to the obligations of the Subtenant to Sublessor under the Sublease.

6. If Subtenant becomes insolvent or shall be adjudicated a bankrupt or shall file for reorganization or similar relief or if such petition is filed by creditors of Subtenant, under any present or future Federal or State law or if the Sublease is terminated or Subtenant's obligations otherwise discharged in any bankruptcy proceeding, Guarantor's obligations hereunder may nevertheless be enforced against the Guarantor.

7. The Guarantor covenants, warrants and represents that: it has the power and authority to enter into this agreement and that its obligations as the Guarantor will be enforceable under the laws of the State of New York; it is entering into this agreement for a business purpose of, and benefit to the Guarantor; it has a legitimate purpose in issuing this Guaranty as Subtenant is owned and/or controlled by the Guarantor; and financial or other information furnished to Sublessor about Guarantor and/or Subtenant is full, complete and correct in all respects; and Subtenant is a validly formed corporation under the laws of the State of New York having full power and authority to enter into and perform the Sublease and it has fully executed and delivered the Sublease; neither Subtenant nor Guarantor is insolvent or the debtor, defendant or respondent in any pending bankruptcy, receivership, insolvency or other creditor's action or proceeding.

8. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York. Guarantor hereby waives any right to trial by jury in any action or proceeding arising out of this Guaranty and will pay attorneys' fees, court costs and other expenses incurred by Sublessor in enforcing this Guaranty. The Guarantor hereby agrees to be subject to in personam jurisdiction in any court of appropriate subject matter jurisdiction located in the City, County and State of New York for any action brought by Sublessor against the Guarantor arising out of, or relating to this Guaranty, provided that copies of the summons and complaint are sent by certified mail, return receipt requested, to the Guarantor at the address of the Guarantor herein set forth, or at such other address as the Guarantor may designate as its address for notices on ten (10) days prior notice in writing sent by certified mail, return receipt requested, to Sublessor.

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9. All terms and provisions herein shall inure to the benefit of the assigns and successors of Sublessor and shall be binding upon the heirs, successor and assigns of Guarantor.

IN WITNESS WHEREOF, the undersigned Guarantor has signed this Guaranty on the 12th day of February 2007.

GUARANTOR:

/s/ Michael N. Romano

SSN:
Address:

/s/ Craig A. Rothfeld
Craig A. Rothfeld

SSN:
Address:

/s/ William J. Bonfanti, Jr.
William J. Bonfanti, Jr.

SSN:
Address:

ACKNOWLEDGMENT

State of New York)
) ss.:
County of New York)

On the 12th day of February in the year 2007, before me, the undersigned, personally appeared **Michael N. Romano** personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

/s/ Gregory Maleski
Notary Public

State of New York)
) ss.:
County of New York)

On the 12th day of February in the year 2007, before me, the undersigned, personally appeared **Craig A. Rothfeld** personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

/s/ Gregory Maleski
Notary Public

State of New York)
) ss.:
County of New York)

On the 12th day of February in the year 2007, before me, the undersigned, personally appeared **William J. Bonfanti, Jr.** personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted executed instrument.

/s/ Gregory Maleski
Notary Public

EXHIBIT "C"

FURNITURE INVENTORY

ITEMS STAYING AT 60 BROAD

Room #	Quantity	Item
3418 (data)	7	4 post racks
	2	2 post racks
	19	UPS's and batteries
3405 (craig)	1	4 1/2 ft round table
	7	wood framed chairs
	1	7ft leather sofa
	1	desk chair
	1	U shape desk
	1	8 1/2 ft bookshelf/credenza
	2	small round glass end tables
3406 (greg)	1	desk chair
	2	wood framed chairs
	2	3 ft wood filing cabinets
	1	U shape desk
3404 (pantry)	1	microwave
	1	refrigerator
	1	dishwasher
3403 (storage)	1	3 ft shelf
3407 (Taras)	2	desk chairs
	1	3 ft wood filing cabinet
	2	desk
3408 (Manila)	1	desk chair
	1	desk
	1	3 ft wood filing cabinet
3408.5 (calabrese)	1	desk chair
	3	wood framed chairs
	1	u shape desk
3409	1	wrap desk
	1	wood desk
	3	desk chairs
3410	1	wrap desk
	2	desk chairs
Bullpen	4	desk chairs
	4	desk chairs
	1	refrigerator
3411 conference	1	large conference table
	1	5 ft wood credenza
	1	12 ft bookshelf credenza
	1	small refrigerator
	2	wood framed chairs
	17	leather conference chairs
3412	2	wood framed chairs
	1	u shape wood desk
	2	3 ft wood filing cabinets
	1	desk chair
Reception	1	reception desk
	1	6 ft credenza
	1	desk chair
	2	suede chairs
	1	small end table
3414 sm conf	1	small conference table
	1	wood framed chair
	2	leather conference chairs
	2	15 inch metal cabinets
	1	2 ft wood cabinet

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of Shutterstock, Inc. of our report dated May 14, 2012 relating to the financial statements of Shutterstock Images LLC, which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

New York, New York

May 14, 2012
