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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

Commission file number: 001-36080

Ophthotech Corporation
(Exact name of registrant as specified in its charter)

Delaware	**20-8185347**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One Penn Plaza, 19th Floor **New York, NY** (Address of principal executive offices)	**10119** (Zip Code)

(212) 845-8200
(Registrant's telephone number, including area code)

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

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

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

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

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

As of May 9, 2014 there were 33,341,025 shares of Common Stock, $0.001 par value per share, outstanding.

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PART II—OTHER INFORMATION

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward- looking statements. The words “anticipate,” “believe,” “goals,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report on Form 10-Q include, among other things, statements about:

- the timing, costs, conduct and outcome of our Phase 3 clinical trials of Fovista administered in combination with anti-VEGF drugs for the treatment of wet age-related macular degeneration, or AMD, including statements regarding the timing of the initiation of, the availability of, and the costs to obtain, initial top-line results from, and the completion of such trials and the timing of regulatory filings;
- our plans to further evaluate the potential benefit of Fovista in wet AMD in other clinical trials, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need, including statements regarding the timing of the initiation of, and the costs to obtain and timing of receipt of initial results from, and the completion of related clinical trials;
- our plans to develop Zimura, including our plans to initiate a Phase 2/3 clinical trial evaluating the safety and efficacy of Zimura for the treatment of patients with geographic atrophy, a severe form of dry AMD, and a Phase 2 clinical trial evaluating the safety and efficacy of Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of certain forms of wet AMD, including statements regarding the timing of the initiation of, and the costs to obtain and timing of receipt of initial results from, and the completion of related clinical trials;
- our plans to develop our other product candidates, including statements regarding the timing of the initiation of, the availability of, and the costs to obtain, initial top-line results from, and the completion of clinical trials and the timing of regulatory filings;
- the timing of and our ability to obtain marketing approval of Fovista and our other product candidates, and the ability of Fovista and our other product candidates to meet existing or future regulatory standards;
- the potential advantages of Fovista and Zimura
- the rate and degree of potential market acceptance and clinical utility of Fovista and Zimura;
- our estimates regarding the potential market opportunity for Fovista and Zimura;
- the potential receipt of revenues from future sales of Fovista and Zimura;
- our sales, marketing and distribution capabilities and strategy;
- our ability to establish and maintain arrangements for manufacture of Fovista, Zimura and our other product candidates;
- our ability to in-license or acquire complementary products, product candidates or technologies;
- our intellectual property position;
- our expectations related to our use of available cash;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- the impact of governmental laws and regulations; and
- our competitive position.

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We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in the “Risk Factors” section, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Ophthotech Corporation
(A Development Stage Company)
Unaudited Balance Sheets
(in thousands, except share and per share data)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 66,562	$ 210,596
Available for sale securities	196,500	—
Prepaid expenses and other current assets	5,270	6,804
Total current assets	268,332	217,400
Available for sale securities	27,763	—
Property and equipment, net	743	27
Security deposits	255	255
Total assets	$ 297,093	$ 217,682
Liabilities and Stockholders' Equity		
Current liabilities		
Accrued clinical drug supplies and trial costs	$ 2,802	$ 2,485
Accounts payable and accrued expenses	3,753	3,810
Total current liabilities	6,555	6,295
Royalty purchase liability	83,333	41,667
Total liabilities	89,888	47,962
Stockholders' equity		
Preferred stock - $0.001 par value, 5,000,000 shares authorized, no shares issued or outstanding	$ —	$ —
Common stock - $0.001 par value, 200,000,000 shares authorized, 33,324,766 and 31,413,208 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	33	31
Additional paid-in capital	410,886	352,739
Deficit accumulated during development stage	(203,732)	(183,050)
Accumulated other comprehensive income	18	—
Total stockholders' equity	207,205	169,720
Total liabilites and stockholders' equity	$ 297,093	$ 217,682

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
(A Development Stage Company)
Unaudited Statements of Operations
(in thousands, except per share data)

	Three Months Ended March 31,		Period from January 5, 2007 (Inception) to March 31,
	2014	2013	2014
Costs and expenses:			
Research and development	$ 14,377	$ 2,389	$ 122,484
General and administrative	6,349	1,738	47,908
Total costs and expenses	20,726	4,127	170,392
Loss from operations	(20,726)	(4,127)	(170,392)
Interest income (expense)	44	(357)	(1,438)
Loss on extinguishment of debt	—	—	(1,091)
Other loss	—	(134)	(1,546)
Change in fair value related to investor rights liability	—	—	683
Net loss before income tax benefit	(20,682)	(4,618)	(173,784)

Income tax benefit	—	—	1,327
Net loss	(20,682)	(4,618)	(172,457)
Add: accretion of preferred stock dividends	—	(1,742)	(33,046)
Net loss attributable to common stockholders	$ (20,682)	$ (6,360)	$ (205,503)
Net loss attributable to common stockholders per share :			
Basic and diluted	$ (0.64)	$ (4.33)	
Weighted average common shares outstanding:			
Basic and diluted	32,282	1,470	

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
(A Development Stage Company)
Unaudited Statements Comprehensive Loss
(in thousands)

	Three Months Ended March 31,		Period from January 5, 2007 (Inception) to March 31,
	2014	2013	2014
Net loss	$ (20,682)	$ (4,618)	$ (172,457)
Other comprehensive income:			
Unrealized gain on available for sale securities	18	—	18
Other comprehensive income	18	—	18
Comprehensive loss	$ (20,664)	$ (4,618)	$ (172,439)

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
(A Development Stage Company)
Unaudited Statements of Cash Flows
(in thousands)

	Three months ended March 31,		Period from January 5, 2007 (Inception) to March 31,
	2014	2013	2014
Operating Activities			
Net loss	$ (20,682)	$ (4,618)	$ (172,457)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	12	7	186
Amortization of debt issuance costs	—	32	135
Accretion of debt discount	—	34	146
Non-cash change in fair value of warrant liability	—	134	1,563
Non-cash change in fair value of investor rights liability	—	—	(683)
Loss on extinguishment of debt	—	—	1,091
Share-based compensation	2,729	108	6,790
Series A-1, Series B-1 and Junior Preferred Stock issued for acquired technology and licenses	—	—	9,500
Accrued interest expense converted to Series A Preferred Stock	—	—	2
Changes in operating assets and liabilities:			
Prepaid expense and other current assets	1,535	(8)	(5,282)
Security deposits	—	—	(255)
Accrued clinical drug supplies and trial costs	317	104	2,802
Accounts payable and accrued expenses	(57)	673	3,753
Net cash used in operating activities	(16,146)	(3,534)	(152,709)
Investing Activities			
Purchase of marketable securities	(224,247)	—	(228,485)
Maturities of marketable securities	—	—	4,250
Purchase of property and equipment	(728)	—	(929)
Net cash used in investing activities	(224,975)	—	(225,164)
Financing Activities			
Payment of debt issuance costs	—	(21)	(421)
Proceeds from issuance of common stock	11	—	229

Proceeds from initial public offering	—	—	175,555
Proceeds from follow-on public offering, net	55,409	—	55,409
Proceeds from issuance of notes payable, net	—	1,451	(302)
Proceeds from issuance of preferred stock, net	—	—	130,632
Proceeds from royalty purchase agreement	41,667	—	83,333
Net cash provided by financing activities	97,087	1,430	444,435
Net change in cash and cash equivalents	(144,034)	(2,104)	66,562
Cash and cash equivalents			
Beginning of period	210,596	4,304	—
End of period	$ 66,562	$ 2,200	$ 66,562
Supplemental disclosure of cash paid			
Interest	$ —	$ 326	$ 1,964
Income Taxes	$ —	$ —	$ —
Supplemental disclosures of non-cash information related to investing activities			
Change in unrealized gains in marketable securities	$ 18	$ —	$ 18
Supplemental disclosures of cash flow information			
Conversion of preferred stock to common stock up completion of IPO	$ —	$ —	$ 174,310
Accreted dividends on Series A, Series A-1, Series of B, B-1 and Series C Preferred Stock	$ —	$ 1,742	$ 33,046
Notes payable and accrued interest converted to Series A Preferred Stock	$ —	$ —	$ 212

The accompanying unaudited notes are an integral part of these financial statements.

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OPHTHOTECH CORPORATION
(A Development Stage Company)
Notes to Unaudited Financial Statements
(tabular dollars and shares in thousands, except per share data)

1. Business

Description of Business and Organization

Ophthotech Corporation (the "Company" or "Ophthotech") was incorporated on January 5, 2007, in Delaware. The Company is a biopharmaceutical company specializing in the development of novel therapeutics to treat diseases of the back of the eye, with a focus on developing therapeutics for age-related macular degeneration, or AMD. The Company's operations since inception have been limited to organizing and staffing the Company, acquiring rights to product candidates, business planning, raising capital and developing its product candidates. Accordingly, the Company is considered to be in the development stage as defined by Financial Accounting Standards Board Accounting Standards Codification ("ASC") 915, *Development Stage Entities*. The Company operates in one business segment.

Liquidity

Since the Company's inception, it has experienced significant cash outflows in funding its operations. The Company reported a net loss of $20.7 million for the three months ended March 31, 2014 and $4.6 million for the three months ended March 31, 2013. As of March 31, 2014, the Company had a deficit accumulated during the development stage of $203.7 million. To date, the Company has not generated any revenues and has financed its operations primarily through private placements of its preferred stock, venture debt borrowings, its royalty purchase and sale agreement with Novo A/S, its initial public offering ("IPO"), which closed on September 30, 2013, and a follow-on public offering, which closed on February 18, 2014. The Company issued and sold an aggregate of 8,740,000 shares of common stock in its IPO at a public offering price of $22.00 per share, including 1,140,000 shares pursuant to the exercise by the underwriters of an over-allotment option. The Company received net proceeds from the IPO of $175.6 million, after deducting underwriting discounts and commissions and other offering expenses. On February 18, 2014, the Company closed a follow-on public offering of 2,628,571 shares of common stock at a public offering price of $31.50 per share of common stock. The Company sold 1,900,000 shares and 728,571 shares were sold by selling stockholders, 342,857 of which were sold by the selling stockholders upon the full exercise by the underwriters of their option to purchase additional shares in the follow-on public offering. Net proceeds to the Company were approximately $55.4 million, after deducting underwriting discounts and commissions and other offering expenses. The Company did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on public offering. The Company has devoted substantially all of its financial resources and efforts to research and development and expects to continue to incur significant expenses and increasing operating losses over the next several years. The Company's net losses may fluctuate significantly from quarter to quarter and year to year.

To fully execute its business plan, the Company will need to complete certain research and development activities and clinical trials. Further, the Company's product candidates will require regulatory approval prior to commercialization. These activities will span many years and require substantial expenditures to complete and may ultimately be unsuccessful. The Company expects to obtain initial, top-line data from its Phase 3 clinical program for Fovista in 2016. As of March 31, 2014, the Company had cash, cash equivalents, and marketable securities of $290.8 million. The Company believes its cash, cash equivalents and marketable securities, together with its potential future funding of $41.7 million under the Company's royalty agreement with Novo A/S, will be sufficient to fund its operating expenses and capital expenditure requirements through at least the end of 2016.

The current Phase 3 clinical program for Fovista is expected to continue through at least 2017, and substantial expenditures to complete the Phase 3 clinical program will be required after the receipt of initial, top-line data and to fund the Company's other development programs. The Company expects to meet these capital requirements using its existing capital resources. Further, the Company expects to continue to experience significant cash outflows until such time, if ever, as it can generate substantial product revenues. These cash outflows may be in excess of the Company's existing capital resources and the Company may need to finance its cash needs through a combination of equity and debt financings, collaborations, strategic alliances and marketing distribution or licensing arrangements. There can be no assurance that such funds will be available, or if available, on terms favorable to the Company. The Company faces the normal risks associated with a development stage company, including but not limited to the risk that the Company's research and

development activities will not be successfully completed, that adequate patent protection for the Company's technology will not be obtained, that any products developed will not obtain necessary government regulatory approval and that any approved products will not be commercially viable. In addition, the Company operates in an environment of rapid change in technology, substantial competition from pharmaceutical and biotechnology companies and is dependent upon the services of its employees and its consultants. The Company's capital requirements will depend on many factors, including the success of its development and commercialization of its product candidates and whether it pursues the development of additional product candidates. Even if the Company succeeds in developing and commercializing one or more of its product candidates, it may never achieve sufficient sales revenue to achieve or maintain profitability.

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2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial information as of March 31, 2014, for the three months ended March 31, 2014 and 2013, and for the period from January 5, 2007 (Inception) to March 31, 2014 has been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The December 31, 2013 balance sheet was derived from the Company's audited financial statements. These interim financial statements should be read in conjunction with the notes to the financial statements contained in the Company's Annual Report on Form 10-K ("Annual Report") for 2013, as filed with the Securities and Exchange Commission on March 11, 2014.

In the opinion of management, the unaudited financial information as of March 31, 2014, for the three months ended March 31, 2014 and 2013, and for the period from January 5, 2007 (Inception) to March 31, 2014, reflects all adjustments, which are normal recurring adjustments, necessary to present a fair statement of financial position, results or operations and cash flows. The results of operations for the three months ended March 31, 2014 and 2013 are not necessarily indicative of the operating results for the full fiscal year or any future period.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's Balance Sheets and the amount of expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, accounting for share-based compensation and accounting for research and development costs. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The carrying amounts reported in the Balance Sheets for cash and cash equivalents are valued at cost, which approximates their fair value.

Available for Sale Securities

The Company considers securities with original maturities of greater than three months to be available for sale securities. Securities under this classification are recorded at fair market value and unrealized gains and losses within accumulated other comprehensive income. The estimated fair value of the available for sale securities is determined based on quoted market prices or rates for similar instruments. In addition, the cost of debt securities in this category is adjusted for amortization of premium and accretion of discount to maturity. The Company evaluates securities with unrealized losses to determine whether such losses, if any, are other than temporary.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and available for sale securities. The Company maintains its cash in bank accounts, which, at times exceed federally insured limits. The Company maintains its cash equivalents in money market funds that invest primarily in U.S. Treasury securities. The Company's available for sale securities are also invested in U.S. Treasury securities. The Company has not recognized any losses from credit risks on such accounts during any of the periods presented. The Company believes it is not exposed to significant credit risk on its cash, cash equivalents and available for sale securities.

Foreign Currency Translation

The Company maintains a bank account in a foreign currency. The Company considers the U.S. dollar to be its functional currency. Expenses are translated at the exchange rate on the date the expense is incurred. The effect of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars is included in the Statements of Operations. Foreign exchange transaction gains and losses are included in the results of operations and are not material in the Company's financial statements.

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Property and Equipment

Property and equipment, which consist mainly of computers and other equipment, are carried at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the respective assets, generally five to ten years, using the straight-line method.

Research and Development

Research and development expenses consist of costs associated with the development and clinical testing of Fovista, an anti-Platelet Derived Growth Factor ("PDGF") aptamer the Company is developing for use in combination with anti-VEGF drugs for treatment of wet age-related macular degeneration, or wet AMD, Zimura, an inhibitor of complement factor C5 the Company is developing with a focus on treatment of patients with geographic atrophy, a severe form of dry AMD, and the Company's other product candidates. Research and development expenses consist of:

- external research and development expenses incurred under arrangements with third parties, such as contract research organizations, ("CROs") and other vendors, contract manufacturing organizations and consultants; and

- employee-related expenses, including salaries, benefits, travel and share-based compensation expense.

Research and development costs also include costs of acquired product licenses and related technology rights where there is no alternative future use, prototypes used in research and development, consultant fees and amounts paid to collaborative partners.

All research and development costs are charged to operations as incurred in accordance with ASC Topic 730, *Research and Development*. The Company accounts for non-refundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received, rather than when the payment is made.

The Company anticipates that its research and development expenses will increase substantially as compared to prior periods in connection with conducting its pivotal Phase 3 clinical program for Fovista and if such trials are successful, seeking marketing approval for Fovista. The Company also anticipates that its research and development expenses will increase substantially as a result of its plan to initiate a Phase 2/3 clinical trial to evaluate the safety and efficacy of Zimura monotherapy in patients with geographic atrophy in late 2014 or early 2015.

Income Taxes

The Company utilizes the liability method of accounting for deferred income taxes, as set forth in ASC 740-10, *Income Taxes-Overall*. Under this method, deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. A valuation allowance is established against net deferred tax assets because, based on the weight of available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized. The Company maintains a full valuation allowance on its deferred tax assets. Accordingly, the Company has not recorded a benefit or provision for income taxes other than for the sale of a portion of its unused New Jersey State operating loss carryforwards through a program sponsored by the State of New Jersey and the New Jersey Economic Development Authority in 2011. The Company's U.S. federal net operating losses have occurred since inception and as such, tax years subject to potential tax examination could apply from that date because carrying-back net operating loss opens the relevant year to audit.

Share-Based Compensation

The Company follows the provisions of the ASC 718, *Compensation—Stock Compensation* which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and non-employee directors, including employee stock options. Share-based compensation expense is based on the grant date fair value estimated in accordance with the provisions of ASC 718 and is generally recognized as an expense over the requisite service period.

For stock options granted as consideration for services rendered by non-employees, the Company recognizes expense in accordance with the requirements of ASC 505-50, *Equity Based Payments to Non-Employees*. Non-employee option grants that do not vest immediately upon grant are recorded as an expense over the vesting period of the underlying stock options. At the end of each financial reporting period prior to vesting, the value of these options, as calculated using the Black-Scholes option-pricing model, will

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be re-measured using the fair value of the Company's common stock and the non-cash expense recognized during the period will be adjusted accordingly. Since the fair value of options granted to non-employees is subject to change in the future, the amount of the future expense will include fair value re-measurements until the stock options are fully vested.

Prior to the Company's initial public offering, the Company determined the estimated fair value of its common stock based on a number of objective and subjective factors, including external market conditions affecting the biotechnology industry sector and the prices at which the Company sold shares of its common and preferred stock.

Due to the lack of trading history, the Company's computation of stock-price volatility was based on the volatility rates of comparable publicly held companies over a period equal to the expected term of the options granted by the Company. The Company's computation of expected term was determined using the "simplified" method which is the midpoint between the vesting date and the end of the contractual term. The Company believes that it does not have sufficient reliable exercise data in order to justify the use of a method other than the "simplified" method of estimating the expected exercise term of employee stock option grants. The Company has paid no dividends to stockholders. The risk-free interest rate is based on the zero-coupon U.S. Treasury yield at the date of grant for a term equivalent to the expected term of the option.

Share-based compensation expense includes stock options granted to employees and non-employees and has been reported in the Company's Statements of Operations as follows:

	Three months ended March 31,	
	2014	2013
Research and development	$ 1,662	$ 68
General and administrative	1,067	40
Total	$ 2,729	$ 108

JOBS Act

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, the Company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to delay the adoption of such new or revised accounting standards. As a result of this election, the Company's financial statements may not be comparable to the financial statements of other public companies.

Recent Accounting Pronouncements

In February 2013, the FASB issued Accounting Standards Update ("ASU") 2013-02, *Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). ASU 2013-02 requires an entity to present the effect of certain significant reclassifications out of accumulated other comprehensive income on the respective line items in net income. The amendments in ASU 2013-02 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2013-02 is effective for public companies on a prospective basis for fiscal years beginning after December 15, 2012 and for new public companies and for non-public companies for reporting periods beginning after December 15, 2013. As an emerging growth company as defined by the JOBS Act, the Company delayed adoption of this pronouncement until this reporting period. The Company has not reclassified any components of comprehensive income into net income for the periods presented. ASU 2013-02 requires only additional presentation and as such, there was no impact to the Company's results of operations or financial position upon adoption.

3. Capitalization

On September 9, 2013, the Company effected a one-for-5.9 reverse stock split of its common stock. All share and per share data (except par value) related to common stock, options and warrants included in these financial statements and accompanying notes have been adjusted to reflect the reverse stock split for all periods presented.

On September 30, 2013, the Company closed its initial public offering of 8,740,000 shares of common stock at a price of $22.00 per share. The net proceeds to the Company were $175.6 million, after deducting underwriters' discounts and commissions and other offering expenses. In connection with the closing of the IPO, all of the Company's shares of redeemable convertible preferred stock outstanding at the time of the offering were automatically converted into 21,038,477 shares of common stock.

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On February 18, 2014, the Company closed a follow-on public offering of 2,628,571 shares of common stock at a public offering price of $31.50 per share of common stock. The Company sold 1,900,000 shares and 728,571 shares were sold by selling stockholders, 342,857 of which were sold by the selling stockholders upon the full exercise by the underwriters of their option to purchase additional shares in the follow-on public offering. Net proceeds to the Company were approximately $55.4 million, after deducting underwriters' discounts and commissions and other offering expenses. The Company did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on public offering.

4. Net Loss Per Common Share

Basic and diluted net loss per common share is determined by dividing net loss applicable to common stockholders by the weighted average common shares outstanding during the period. For the periods where there is a net loss attributable to common shareholders, the outstanding shares of preferred stock, stock options, and warrants have been excluded from the calculation of diluted loss per common share because their effect would be anti-dilutive. Therefore, the weighted average shares used to calculate both basic and diluted loss per share would be the same. The following table sets forth the computation of basic and diluted net loss per share for the periods indicated:

	Three months ended March 31,	
	2014	2013
Basic and diluted net loss per common share calculation:		
Net loss	$ (20,682)	$ (4,618)
Accretion of preferred stock dividends	—	(1,742)
Net loss attributable to common shares	$ (20,682)	$ (6,360)
Weighted average common shares outstanding	32,282	1,470
Net loss per share of common stock - basic and diluted	$ (0.64)	$ (4.33)

The following potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding for the periods presented, as they would be anti-dilutive:

	Three months ended March 31,	
	2014	2013
Redeemable convertible preferred stock	—	16,811
Options outstanding	3,726	1,344
Warrants	88	101
Total	3,814	18,256

5. Cash, Cash Equivalents and Available for Sale Securities

The Company considers all highly liquid investments purchased with original maturities at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents included cash of $10.0 million and $6.8 million at March 31, 2014 and December 31, 2013, respectively. Cash and cash equivalents at March 31, 2014 and December 31, 2013 also included investments of $56.6 million and $203.8 million, respectively, in U.S. Treasury money market funds with original maturities of less than three months.

At March 31, 2014, the Company held available for sale securities with a fair value totaling $224.3 million. These available for sale securities consisted of U.S. Treasury securities. At March 31, 2014, $196.5 million of the available for sale securities had maturities less than one year, and $27.8 million had maturities of greater than one year. The Company evaluates securities with unrealized losses, if any, to determine whether such losses are other than temporary. The Company has determined that there were no other than temporary declines in fair values of its investments as of March 31, 2014. As of December 31, 2013, the Company did not hold any available for sale securities.

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Available for sale securities, including carrying value and estimated fair values, are summarized as follows:

	As of March 31, 2014			
	Cost	Fair Value	Carrying Value	Unrealized Gain
U.S. Treasury securities - maturities < 1 year	$ 196,316	$ 196,500	$ 196,500	$ 13
U.S. Treasury securities - maturities > 1 year	$ 27,582	$ 27,763	$ 27,763	$ 5
Total	$ 223,898	$ 224,263	$ 224,263	$ 18

6. Royalty Agreement

In May 2013, the Company entered into a Purchase and Sale Agreement (the "Purchase and Sale Agreement") with Novo A/S, providing for the Company to sell, and Novo A/S to purchase, the right, title, and interest in a portion of the revenues from the sale of (a) Fovista, (b) Fovista-Related Products, and (c) Other Products (as defined in the Purchase and Sale Agreement), calculated as low to mid-single digit percentages of net sales.

The Purchase and Sale Agreement provides for up to three separate purchases for a purchase price of $41.7 million each, at a first, second and third closing, for an aggregate purchase price of $125.0 million. In each purchase, Novo A/S acquires rights to a low single digit percentage of net sales. If all royalty interests under the Purchase and Sale Agreement are purchased, Novo A/S will have a right to receive royalties on net sales at a mid-single digit percentage.

In each of May 2013 and January 2014, the Company received cash payments of $41.7 million, $83.3 million in the aggregate, for the royalty entitlement related to each of the first and second closing on the date of the Purchase and Sale Agreement. Receipt of cash proceeds for the third purchase is contingent upon certain triggers and conditions detailed in the Purchase and Sale Agreement, none of which have occurred prior to the date of these financial statements.

The royalty payment period covered by the Purchase and Sale Agreement begins on commercial launch and ends, on a product-by-product and country-by-country basis, on the latest to occur of (i) the 12th anniversary of the commercial launch, (ii) the expiration of certain patent rights and (iii) the expiration of the regulatory exclusivity for each product in each country.

Under the terms of the Purchase and Sale Agreement, the Company is not required to reimburse or otherwise compensate Novo A/S through any means other than the agreed royalty entitlement. In addition, the Company does not, under the terms of the Purchase and Sale Agreement, have the right or obligation to prepay Novo A/S in connection with a change of control of the Company or otherwise.

The proceeds from the first and second financing tranches under the Purchase and Sale Agreement were recorded as a liability on the Company's Balance Sheet as of March 31, 2014, in accordance with ASC Topic 730, *Research and Development*. Because there is a significant related party relationship between the Company and Novo A/S, the Company is treating its obligation to make royalty payments under the Purchase and Sale Agreement as an implicit obligation to repay the funds advanced by Novo A/S. As the Company makes royalty payments in accordance with the Purchase and Sale Agreement, it will reduce the liability balance. At the time that such royalty payments become probable and estimable, and if such amounts exceed the liability balance, the Company will impute interest accordingly on a prospective basis based on such estimates, which would result in a corresponding increase in the liability balance.

The Purchase and Sale Agreement requires the establishment of a Joint Oversight Committee in the event that Novo A/S does not continue to have a representative on the Company's board of directors. The Joint Oversight Committee would have responsibilities that include "discussion and review" of all matters related to Fovista research, development, regulatory approval and commercialization, but there is no provision either implicit or explicit that gives the Joint Oversight Committee or its members decision-making authority.

The proceeds received from Novo A/S under the Purchase and Sale Agreement will be reported as revenue for income tax purposes. Notwithstanding the Company's inclusion in taxable income of the $41.7 million in proceeds under the Purchase and Sale Agreement in January 2014, based on the Company's current projections, the Company has forecasted a tax loss for the 2014 tax year. The Company's projections are based upon estimates, which could change in the future. To the extent these projections change and the Company generates taxable income for the 2014 tax year, the Company believes it would be able to utilize, in part or in whole, its net operating loss carryforwards to offset against such tax liability. Based

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upon the Company's cumulative history of losses and expected future losses, the Company recorded a full valuation allowance against all net federal and state deferred tax assets.

7. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The fair value standard also

establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market. The Company's Level 1 assets consist of investments in U.S. Treasury money market funds and U.S. Treasury securities.

- Level 2—inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

The following table presents, for each of the fair value hierarchy levels required under ASC 820, the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2014:

	Fair Value Measurement Using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets			
Investments in U.S. Treasury money market funds*	$ 56,620	$ —	$ —
Investments in U.S. Treasury securities with maturities < 1 year	$ 196,500	$ —	$ —
Investments in U.S. Treasury securities with maturities > 1 year	$ 27,763	$ —	$ —

The following table presents, for each of the fair value hierarchy levels required under ASC 820, the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2013:

	Fair Value Measurement Using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets			
Investments in U.S. Treasury money market funds*	$ 203,828	$ —	$ —

* Investments in U.S. Treasury money market funds are reflected in cash and cash equivalents in the accompanying Balance Sheets.

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8. Stock Option and Compensation Plans

The Company adopted its 2007 Stock Incentive Plan (the "2007 Plan") for employees, directors and consultants for the purpose of advancing the interests of the Company stockholders by enhancing its ability to attract, retain and motivate persons who are expected to make important contributions to the Company. The 2007 Plan provided for the granting of stock option awards, restricted stock awards, and other stock-based and cash-based awards. Following the effectiveness of the 2013 Stock Incentive Plan described below in connection with the closing of the Company's initial public offering, the Company is no longer granting additional awards under the 2007 Plan.

In August 2013, the Company's board of directors also adopted and the Company's stockholders also approved the 2013 stock incentive plan (the "2013 Plan"), which became effective immediately prior to the closing of the Company's initial public offering. The 2013 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, and other stock-based awards. Upon effectiveness of the 2013 Plan, the number of shares of the Company's common stock that were reserved for issuance under the 2013 Plan was the sum of (1) such number of shares (up to approximately 3,359,641 shares) as is equal to the sum of 739,317 shares (the number of shares of the common stock then available for issuance under the 2007 Plan), and such number of shares of the Company's common stock that are subject to outstanding awards under the 2007 Plan that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right plus (2) an annual increase, to be added the first day of each fiscal year, beginning with the fiscal year ending December 31, 2014 and continuing until, and including, the fiscal year ending December 31, 2023, equal to the lowest of 2,542,372 shares of the Company's common stock, 4% of the number of shares of the Company's common stock outstanding on the first day of the fiscal year and an amount determined by our board of directors. The Company's employees, officers, directors, consultants and advisors are eligible to receive awards under the 2013 Plan. However, incentive stock options may only be granted to employees of the Company.

In connection with the evergreen provisions of the 2013 Plan, the number of shares available for issuance under the 2013 Plan was increased by approximately 1,257,000 shares, effective as of January 1, 2014. As of March 31, 2014, the Company had approximately 3,726,000 stock options outstanding under the 2013 Plan and approximately 730,000 shares available for grant under the 2013 Plan.

Cash proceeds from, and the aggregate intrinsic value of, stock options exercised during the three months ended March 31, 2014 and 2013, respectively, were as follows:

	Three months ended March 31,	
	2014	2013

Cash proceeds from options exercised	$	11	$	—
Aggregate intrinsic value of options exercised	$	369	$	—

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A summary of the stock options outstanding and exercisable as of March 31, 2014 is as follows:

	As of March 31, 2014					
	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Total Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$0.12-$10.03	1,788	7.6	$ 4.91	1,048	$	2.79
$10.04-$20.00	604	9.3	$ 13.37	15	$	13.22
$20.01-$37.48	1,334	9.7	$ 30.86	8	$	32.33
	3,726			1,071		
Aggregate Intrinsic Value	$ 74,953			$ 34,806		

In connection with stock option awards granted to employees, the Company recognized share-based compensation expense of approximately $2.5 million for the three months ended March 31, 2014 and approximately $0.1 million for the three months ended March 31, 2013. As of March 31, 2014, there was approximately $35.9 million of unrecognized compensation costs, net of estimated forfeitures, related to stock option awards to employees, which are expected to be recognized over a remaining weighted average period of 3.5 years.

In connection with stock options awards granted to consultants, the Company recognized approximately $0.2 million, in share-based compensation expense during the three months ended March 31, 2014. Share-based compensation expense incurred during the three months ended March 31, 2013 in connection with stock option awards to consultants was de minimis. As of March 31, 2014, there was approximately $1.9 million of unrecognized compensation costs, net of estimated forfeitures, related to stock option award granted to consultants which are expected to be recognized over a remaining weighted average period of 2.8 years.

9. Property and Equipment

Property and equipment at March 31, 2014 and December 31, 2013 were as follows:

	Useful Life (Years)	March 31, 2014	December 31, 2013
Manufacturing equipment	7-10	$ 184	$ —
Computer and other office equipment	5	292	$ 85
Furniture and fixtures	7	366	117
Leasehold improvements	3-5	88	—
		930	202
Accumulated depreciation and amortization		(187)	(175)
Property and equipment, net		$ 743	$ 27

For the three months ended March 31, 2014 and 2013, depreciation expense was $12 thousand and $7 thousand, respectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the notes to those financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2014. This discussion contains forward-looking statements that involve significant risks and uncertainties. As a result of many factors, such as those set forth in Part II, Item 1A. (Risk Factors) of this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are a biopharmaceutical company specializing in the development of novel therapeutics to treat diseases of the back of the eye, with a focus on developing therapeutics for age-related macular degeneration, or AMD. Our most advanced product candidate is Fovista, which is in Phase 3 clinical development for use in combination with anti-VEGF drugs that represent the current standard of care for the treatment of wet AMD. We have completed one Phase 1 and one Phase 2b clinical trial of Fovista administered in combination with the anti-VEGF drug Lucentis. We are also developing our product candidate Zimura, with an initial focus on the treatment of patients with geographic atrophy, a severe form of dry AMD.

We have initiated a pivotal Phase 3 clinical program for Fovista, which consists of three separate Phase 3 clinical trials to evaluate the safety and efficacy of Fovista administered in combination with anti-VEGF drugs for the treatment of wet AMD compared to anti-VEGF monotherapy. Two of these trials are evaluating Fovista in combination with Lucentis and the other is evaluating Fovista in combination with each of Eylea or Avastin. We plan to enroll a total of 1,866 patients at more than 225 centers internationally across the three trials.

We are actively enrolling patients in the two trials evaluating Fovista administered in combination with Lucentis. In the first quarter of 2014, we activated initial trial sites in the third trial in this Phase 3 clinical program in the United States. Based on our estimates regarding patient enrollment, we expect to have initial, top-line data from our Phase 3 clinical program for Fovista available in 2016. If the results of this Phase 3 clinical program are favorable, we plan to submit applications for marketing approval for Fovista in both the United States and the European Union before the end of 2016. We are planning to initiate additional Phase 2 clinical trials further evaluating the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs. We are also planning additional clinical trials to assess the potential therapeutic benefit of Fovista in other ophthalmic conditions. We expect certain of these additional clinical trials to commence in 2014. We have retained the worldwide commercialization rights to Fovista.

We plan to initiate a Phase 2/3 clinical trial to evaluate the safety and efficacy of Zimura monotherapy in patients with geographic atrophy in late 2014 or early 2015. We are also developing Zimura and Fovista to be administered in combination with anti-VEGF drugs for the treatment of a subpopulation of wet AMD patients who do not respond adequately to treatment with anti-VEGF monotherapy or for whom anti-VEGF monotherapy fails and who are believed to have complement mediated inflammation. We plan to initiate a Phase 2 clinical trial of Zimura and Fovista administered in combination with an anti-VEGF drug in this second indication in 2015.

We were incorporated and commenced active operations in early 2007. Our operations to date have been limited to organizing and staffing our company, acquiring rights to product candidates, business planning, raising capital and developing Fovista, Zimura and our other product candidates. We acquired our rights to Fovista from (OSI) Eyetech, Inc., or Eyetech, in July 2007. The acquisition included an assignment of license rights and obligations under an agreement with Archemix Corp. We have licensed rights to our product candidate Zimura from Archemix Corp. Since inception, we have incurred significant operating losses. Our net loss was $20.7 million for the three months ended March 31, 2014, $51.1 million for the year ended December 31, 2013, $14.6 million for the year ended December 31, 2012. As of March 31, 2014, we had a deficit accumulated during the development stage of $203.7 million. To date, we have not generated any revenues and have financed our operations primarily through private placements of our preferred stock, venture debt borrowings, our royalty agreement with Novo A/S, our initial public offering, which we closed in September 2013 and our follow-on public offering of common stock, which we closed in February 2014. We received net proceeds from the initial public offering of $175.6 million, after deducting underwriting discounts and commissions and other offering expenses payable by us. We received net proceeds from the follow-on public offering of $55.4 million, after deducting underwriting discounts and commissions and other offering expenses payable by us. We have also received $83.3 million of royalty funding to date under our royalty agreement with Novo A/S. Our ability to become and remain profitable depends on our ability to generate revenue in excess of

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our expenses. We do not expect to generate significant revenue unless, and until, we obtain marketing approval for, and commercialize, Fovista, Zimura or one of our other product candidates.

The lock-up agreements entered into in connection with our recent follow-on public offering expired on May 12, 2014. See Part II, Item 1.A of this Quarterly Report on Form 10-Q, and in particular, “Risk Factors—Risks Related to Our Common Stock—A significant portion of our total outstanding shares may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well.” for more information.

We initiated our pivotal Phase 3 clinical program for Fovista in August 2013. We expect our expenses to increase substantially as compared to prior periods, particularly as we continue the development of Fovista in our Phase 3 clinical program for the treatment of wet AMD. We plan to enroll a total of 1,866 patients for this program, most or all of which we expect to enroll in 2014 and 2015. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need and pursue the development of Zimura, with an initial focus on the treatment of geographic atrophy, a severe form of dry AMD, and pursue an additional planned clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation. In addition, if we obtain marketing approval for Fovista, Zimura or any other product candidate that we develop, we expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing. Furthermore, we incur additional costs associated with operating as a public company, hiring additional personnel and expanding our facilities. These costs include significant legal, accounting, investor relations and other expenses that we did not incur as a private company. Moreover, additional rules and regulations applicable to public companies will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. The increased costs will increase our net loss. We may need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

Financial Operations Overview

Revenue

To date, we have not generated any revenues. Our ability to generate product revenues, which we do not expect will occur before 2017, at the earliest, will depend heavily on our obtaining marketing approval for and commercializing Fovista or Zimura.

Research and Development Expenses

Research and development expenses consist of costs associated with the development and clinical testing of Fovista, Zimura and our other product candidates. Our research and development expenses consist of:

- external research and development expenses incurred under arrangements with third parties, such as contract research organizations, or CROs, and other vendors, contract manufacturing organizations and consultants; and

- employee-related expenses, including salaries, benefits, travel and share-based compensation expense.

All research and development costs are charged to operations as incurred in accordance with Financial Accounting Standards Board Accounting Standards Codification, or ASC, 730 Topic, *Research and Development*. We account for non-refundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received, rather than

when the payment is made. From inception through March 31, 2014, we have incurred approximately $122.5 million of total research and development expenses.

To date, the large majority of our research and development work has been related to Fovista, Zimura and a product candidate, volociximab, that we were previously developing for the treatment of wet AMD. We licensed rights to volociximab in January 2008 and then terminated the license agreement in May 2012 to focus on the development of Fovista. We anticipate that our research and development expenses will increase substantially as compared to prior periods in connection with our ongoing activities, particularly as we continue the development of and seek marketing approval for Fovista, Zimura and, possibly, other product candidates.

We do not currently utilize a formal time allocation system to capture expenses on a project-by-project basis because we record expenses by functional department. Accordingly, we do not allocate expenses to individual projects or product candidates, although we do allocate some portion of our research and development expenses by functional area and by compound, as shown below.

The following table summarizes our research and development expenses for the three months ended March 31, 2014 and 2013:

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	Three months ended March 31,	
	2014	2013
	(in thousands)	
Fovista	10,708	1,677
Zimura	244	3
Volociximab	—	3
Personnel related	1,745	624
Share-based compensation	1,662	68
Other	18	14
	$ 14,377	$ 2,389

We recorded research and development expenses from inception to March 31, 2014 of approximately $66.1 million related to Fovista, approximately $11.3 million related to Zimura and approximately $5.6 million related to volociximab.

We expect to obtain initial, top-line data from our Phase 3 clinical program for Fovista in 2016. As of March 31, 2014, we had cash, cash equivalents, and marketable securities of $290.8 million. We believe that our existing cash, cash equivalents and marketable securities, together with our potential future funding of $41.7 million under our royalty agreement with Novo A/S, will be sufficient to fund our operating expenses and capital expenditure requirements through at least the end of 2016. We are planning to spend significant additional funds on our Phase 3 clinical program for Fovista, our other planned clinical programs, including additional clinical trials to further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need, an additional planned clinical trial evaluating Zimura for the treatment of geographic atrophy and pursue an additional planned clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation, and for general corporate purposes and working capital. Costs related to our clinical programs could exceed our expectations if we experience delays in our clinical trials, including because of the timing of our patient enrollment, the availability and costs of drug supply for our clinical trials or for other reasons. Our costs will also increase if we increase investigator fees for our clinical trials or expand the scope of our clinical trials and programs, or change the geographic mix of sites at which patients are enrolled, or increase other corporate or licensing activities, or staffing.

Our current Phase 3 clinical program for Fovista is expected to continue through at least 2017, and substantial expenditures to complete the Phase 3 clinical program will be required after the receipt of initial, top-line data and to fund our other development programs. Moreover, we are at the early stages of formulating our clinical development plan for Zimura. We expect the clinical development of Zimura will continue for at least the next several years. At this time, we cannot reasonably estimate the remaining costs necessary to complete the clinical development of either Fovista or Zimura, complete process development and manufacturing scale-up activities associated with Fovista and Zimura and seek marketing approval for Fovista or Zimura, or the nature, timing or costs of the efforts necessary to complete the development of any other product candidate we may develop.

The successful development of our product candidates is highly uncertain. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and expense of our research and development activities;
- the potential benefits of our product candidates over other therapies;
- our ability to market, commercialize and achieve market acceptance for any of our product candidates;
- clinical trial results;
- the terms and timing of regulatory approvals; and
- the expense of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights.

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A change in the outcome of any of these variables with respect to the development of Fovista, Zimura or any other product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if regulatory authorities were to require us to conduct clinical trials beyond those which we currently anticipate will be required for the completion of clinical development of Fovista or any other product candidate or if we experience significant delays in enrollment in any clinical trials, we could be required to expend significant additional financial resources and time on the completion of the clinical development.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for personnel, including share-based compensation expense, in our executive, finance and business development functions. Other general and administrative expenses include facility costs and professional fees for legal, patent, consulting and accounting services.

We anticipate that our general and administrative expenses will increase in future periods to support increases in our research and development and commercialization activities and as a result of increased headcount, including management personnel to support our clinical and manufacturing activities, expanded infrastructure, increased legal, compliance, accounting and investor and public relations expenses associated with being a public company and increased insurance premiums, among other factors.

Interest Income

Our cash, cash equivalents and marketable securities are invested primarily in U.S. Treasury money market funds and U.S. Treasury securities, which generate a small amount of interest income. We expect to continue that investment philosophy as we obtain more financing proceeds.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and share-based compensation described in greater detail below. We base our estimates on our limited historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in more detail in the notes to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. Of those policies, we believe that the following accounting policies are the most critical to aid our stockholders in fully understanding and evaluating our financial condition and results of operations.

Accrued Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued research and development expenses are related to fees paid or payable to CROs and other vendors in connection with research and development activities for which we have not yet been invoiced.

We base our expenses related to CROs on our estimates of the services received and efforts expended pursuant to quotes and contracts with CROs that conduct research and development on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the research and development expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepayment expense accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may

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vary and could result in us reporting amounts that are too high or too low in any particular period. There have been no material changes in estimates for the periods presented.

Royalty Purchase Liability

The proceeds from the first and second financing tranches under our royalty agreement with Novo A/S have been recorded as a liability on our balance sheet in accordance with ASC Topic 730, *Research and Development*. Because there is a significant related party relationship between us and Novo A/S, we are treating our obligation to make royalty payments under the royalty agreement as an implicit obligation to repay the funds advanced by Novo A/S, and thus have recorded the proceeds as a liability on our balance sheet. As we make royalty payments to Novo A/S in accordance with the royalty agreement, we will reduce the liability balance. At the time that such royalty payments become probable and estimable, and if such amounts exceed the liability balance, we will impute interest accordingly on a prospective basis based on such estimates, which would result in a corresponding increase in the liability balance.

Share-Based Compensation

We account for all share-based compensation payments issued to employees, directors, and non-employees using an option pricing model for estimating fair value. Accordingly, share-based compensation expense is measured based on the estimated fair value of the awards on the date of grant, net of forfeitures. We recognize compensation expense for the portion of the award that is ultimately expected to vest over the period during which the recipient renders the

required services to us using the straight-line single option method. In accordance with authoritative guidance, we re-measure the fair value of non-employee share-based awards as the awards vest, and recognize the resulting value, if any, as expense during the period the related services are rendered.

We apply the fair value recognition provisions of ASC Topic 718, *Compensation—Stock Compensation*. Determining the amount of share-based compensation to be recorded requires us to develop estimates of the fair value of stock options as of their grant date. We recognize share-based compensation expense ratably over the requisite service period, which in most cases is the vesting period of the award. Calculating the fair value of share-based awards requires that we make highly subjective assumptions.

We use the Black-Scholes option pricing model to value our stock option awards. Use of this valuation methodology requires that we make assumptions as to the volatility of our common stock, the expected term of our stock options, the risk free interest rate for a period that approximates the expected term of our stock options and the expected dividend yield of our common stock. As a new public company, we do not have sufficient history to estimate the volatility of our common stock price or the expected life of the options. We calculate expected volatility based on reported data for similar publicly traded companies for which historical information is available and will continue to do so until the historical volatility of our common stock is sufficient to measure expected volatility for future option grants.

We use the simplified method as prescribed by the Securities and Exchange Commission Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term of stock option grants to employees as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term of stock options granted to employees. The risk-free interest rate used for each grant is based on the U.S. Treasury yield curve in effect at the time of grant for instruments with a similar expected life. We utilize a dividend yield of zero based on the fact that we have never paid cash dividends and have no current intention to pay cash dividends. The weighted-average assumptions used to estimate grant date fair value of stock options using the Black-Scholes option pricing model were as follows for the three months ended March 31, 2014 and 2013:

	Three months ended March 31,	
	2014	2013*
Expected common stock price volatility	86%	—
Risk-free interest rate	1.79%-2.12%	—
Expected term of options (years)	6.1	—
Expected annual dividend per share	$ —	$ —

* We did not grant stock options during three months ended March 31, 2013

We are also required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. We use historical data to estimate pre-vesting option forfeitures and record share-based

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compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from our estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised. Through March 31, 2014, actual forfeitures have not been material.

Share-based compensation expense associated with stock options granted to employees and non-employees was $2.7 million for the three months ended March 31, 2014 and $ 0.1 million for the three months ended March 31, 2013. As of March 31, 2014, we had $37.8 million of total unrecognized share-based compensation expense, which we expect to recognize over a weighted-average remaining vesting period of approximately 3.4 years. We expect our share-based compensation for our share-based awards to employees and non-employees to increase as a result of recognizing our existing unrecognized share-based compensation for awards that will vest and as we issue additional share-based awards to attract and retain our employees.

For the three months ended March 31, 2014 and 2013, we allocated share-based compensation as follows:

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Research and development	$ 1,662	$ 68
General and administrative	1,067	40
Total	$ 2,729	$ 108

Income Taxes

As of December 31, 2013, we had approximately $86.0 million of federal net operating loss carry-forwards. We also had federal and state research and development tax credit carry-forwards of approximately $3.0 million available to offset future taxable income. Due to our history of losses and lack of other positive evidence, we have determined that it is more likely than not that our deferred tax assets will not be realized, and therefore, the deferred tax assets are fully offset by a valuation allowance at March 31, 2014 and 2013. These federal and state net operating loss and federal and state credit carry-forwards will begin to expire at various dates beginning in 2027, if not utilized. Utilization of the net operating losses and general business tax credit carryforwards may be subject to a substantial limitation under Sections 382 and 383 of the Internal Revenue Code of 1986 as amended, which we refer to as the Code, due to changes in ownership of our company that have occurred previously or that could occur in the future. These ownership changes may limit the amount of net operating loss and general business tax credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of “5-percent Shareholders” (as defined in the Code) in the stock of a corporation by more than 50 percentage points over a three-year period. We determined that we experienced an ownership change upon the closing of our Series A Preferred Stock initial tranche in August 2007. We have not completed a study to determine the impact of this ownership change on our, net operating loss, or NOL, carry-forwards under Section 382 of the Code. If we experience a Section 382 ownership change as a result of future changes in our stock ownership, some of which changes are outside our control, the tax benefits related to the NOL carry forwards may be further limited or lost.

In January 2014, we received $41.7 million from Novo A/S under our royalty purchase and sale agreement, which will be reported as revenue for income tax purposes. Notwithstanding the inclusion in taxable income of the $41.7 million in proceeds from our royalty purchase and sale agreement, based

on our current projections, we have forecasted a tax loss for the 2014 tax year. Our projections are based upon estimates, which could change in the future. To the extent these projections change and we generate taxable income for the 2014 tax year, we believe we would be able to utilize, in part or in whole, our net operating loss carryforwards to offset against such tax liability. Based upon our cumulative history of losses and expected future losses, we recorded a full valuation allowance against all net federal and state deferred tax assets.

JOBS Act

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, we can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay our adoption of such new or revised accounting standards. As a result of this election, our financial statements may not be comparable to the financial statements of other public companies.

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Results of Operations

	Three months ended March 31,		
	2014	2013	Increase (Decrease)
	(in thousands)		
Statement of Operations Data:			
Revenue	$ —	$ —	$ —
Operating Expenses:			
Research and development	14,377	2,389	11,988
General and administrative	6,349	1,738	4,611
Total operating expenses	20,726	4,127	16,599
Loss from operations	(20,726)	(4,127)	(16,599)
Interest income (expense)	44	(357)	401
Other loss	—	(134)	134
Net loss before income tax benefit	(20,682)	(4,618)	(16,064)
Income tax benefit	—	—	—
Net loss	(20,682)	(4,618)	(16,064)
Add: accretion of preferred stock dividends	—	(1,742)	1,742
Net loss attributable to common stockholders	$ (20,682)	$ (6,360)	$ (14,322)

Comparison of Three Month Periods Ended March 31, 2014 and 2013

Revenue

We did not recognize any revenue for the three months ended March 31, 2014 or for the three months ended March 31, 2013.

Research and Development Expenses

Our research and development expenses were $14.4 million for the three months ended March 31, 2014, an increase of $12.0 million compared to $2.4 million for the three months ended March 31, 2013. The increase was primarily due to costs associated with our Fovista Phase 3 clinical program, including clinical trial costs and the costs to manufacture Fovista for the trials as we continue to progress the Fovista Phase 3 clinical program. Other contributing factors include increased personnel costs associated with additional management and research and development staffing, including share-based compensation expense. We initiated our pivotal Phase 3 clinical program for Fovista in August 2013.

General and Administrative Expenses

Our general and administrative expenses for the three months ended March 31, 2014 were $6.3 million, an increase of $4.6 million compared to $1.7 million for the three months ended March 31, 2013. The increase was primarily due to an increase in personnel costs, including additional management and corporate staffing to support our public company infrastructure and increased share-based compensation, and professional services and consulting fees.

Interest Income (Expense), net

Net interest income for the three months ended March 31, 2014 was $44,000 compared to net interest expense of $357,000 for the three months ended March 31, 2013. The amounts recorded in the three months ended March 31, 2013 were related to interest associated with our venture debt facility that we entered into in June 2012. The debt facility was paid off in May 2013 and as such, there was no corresponding interest expense during the three months ended March 31, 2014. Net interest income earned during the three months ended March 31, 2014 was a result of a significant increase in our cash, cash equivalents and marketable securities average balances during the first quarter of 2014 as compared to the first quarter of 2013.

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Other Loss

There was no other loss recorded for the three months ended March 31, 2014 compared to other loss of $0.1 million for the three months ended March 31, 2013. Amounts recorded as other loss were due to the change in fair value of the preferred stock warrant liability recorded in the first quarter of 2013. Upon completion of our initial public offering in September 30, 2013, the preferred stock warrants were converted to common stock warrants and are now treated as permanent equity.

Liquidity and Capital Resources

Sources of Liquidity

To date, we have not generated any revenues and have financed our operations primarily through private placements of our preferred stock, venture debt borrowings, our royalty agreement with Novo A/S, our initial public offering, which we closed on September 30, 2013 and our follow-on public offering of common stock, which we completed in February 2014. We issued and sold an aggregate of 8,740,000 shares of common stock in our initial public offering at a public offering price of $22.00 per share, including 1,140,000 shares pursuant to the exercise by the underwriters of an over-allotment option. We received net proceeds from the initial public offering of $175.6 million, after deducting underwriting discounts and commissions and other offering expenses payable by us. Our royalty agreement, which is described in more detail below, provides for financing of up to $125.0 million in the aggregate in return for the sale to Novo A/S of royalty interests in worldwide sales of Fovista. We received an aggregate of $83.3 million of this royalty financing in separate tranches in May 2013 and January 2014. Our receipt of the final tranche of financing is subject to enrollment of specified numbers of patients in our Phase 3 clinical trials of Fovista and our satisfying additional closing conditions and other obligations. In May 2013, we issued and sold an aggregate of 6,666,667 shares of our series C preferred stock at a price per share of $2.50, for an aggregate purchase price of $16.7 million. In August 2013, we issued and sold an aggregate of 13,333,333 additional shares of our series C preferred stock to the same purchasers at a price per share of $2.50, for an aggregate purchase price of $33.3 million. In February 2014, we issued and sold 1,900,000 shares of common stock and selling shareholders sold 728,571 shares of common stock, 342,857 of which were sold by the selling stockholders upon the full exercise by the underwriters of their option to purchase additional shares, in a follow-on public offering at a public offering price of $31.50 per share. We received net proceeds of $55.4 million after deducting underwriting discounts and commissions and other offering expenses payable by us. We did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on public offering.

Cash Flows

As of March 31, 2014, we had cash, cash equivalents and marketable securities totaling $290.8 million and no debt. We primarily invest our cash, cash equivalents and marketable securities in U.S. Treasury securities and money market funds that invest in U.S. Treasury securities.

The following table shows a summary of our cash flows for the three months ended March 31, 2014 and 2013:

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Net cash (used in) provided by:		
Operating Activities	$ (16,146)	$ (3,534)
Investing Activities	(224,975)	—
Financing Activities	97,087	1,430
Net change in cash and cash equivalents	$ (144,034)	$ (2,104)

Cash Flows from Operating Activities

Net cash used in operating activities in all periods resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital. The increase in net cash used in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily related to our efforts to advance Fovista into Phase 3 clinical trials, including increased spending on Phase 3 clinical trial costs and manufacturing activity for Fovista.

In August 2013, we initiated our pivotal Phase 3 clinical program for Fovista that will consist of three separate clinical trials. Two of these trials were initiated in the third quarter of 2013 and initial trial sites were activated in the third trial in the first quarter of 2014. We expect cash used in operating activities to continue to increase substantially compared to prior periods and for the

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foreseeable future, particularly as our patient enrollment increases in our Phase 3 clinical program and as we continue the development of and seek marketing approval for Fovista, Zimura and, possibly, other product candidates.

Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended March 31, 2014 relates primarily to the purchase of marketable securities totaling $224.2 million and capital expenditures associated with our new office facilities in New York, New York and Princeton, New Jersey. We did not use any cash for investing activities for the three months ended March 31, 2013.

Cash Flows from Financing Activities

Net cash provided by financing activities was $97.1 million for the three months ended March 31, 2014 and $1.4 million for the three months ended March 31, 2013. Net cash provided by financing activities for the three months ended March 31, 2014 consisted primarily of proceeds of $55.4 million from our follow-on public offering in February 2014, and proceeds of $41.7 million from our royalty agreement with Novo A/S in January 2014. Net cash provided by financing activities for the three months ended March 31, 2013 consisted primarily of borrowings under our venture debt facility.

Funding Requirements

Our most advanced product candidates, Fovista and Zimura, are still in clinical development. We expect our expenses to increase substantially as compared to prior periods, particularly as we continue the development of Fovista in our Phase 3 clinical program for the treatment of wet AMD. We initiated our pivotal Phase 3 clinical program for Fovista in August 2013. We plan to enroll a total of 1,866 patients for this program, most or all of which we expect to enroll in 2014 and 2015. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when

administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need and pursue the development of Zimura, with an initial focus on the treatment of geographic atrophy, a severe form of dry AMD, and pursue an additional planned clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation. In addition, if we obtain marketing approval for Fovista, Zimura or any other product candidate that we develop, we expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing. Furthermore, we expect to incur additional costs associated with being a public company, including legal, compliance, accounting and investor and public relations expenses as well as increased insurance premiums. We are party to agreements, specifically an asset acquisition agreement with OSI (Eyetech), Inc., or Eyetech, which agreement is now held by OSI Pharmaceuticals, LLC, or OSI Pharmaceuticals, a subsidiary of Astellas US, LLC, and license agreements with Archemix Corp., or Archemix, and Nektar Therapeutics, or Nektar, that impose significant milestone payment obligations on us in connection with our achievement of specific clinical, regulatory and commercial milestones with respect to Fovista.

Our expenses also will increase if and as we:

- undertake additional clinical development of Fovista, if it is approved, in support of our efforts to broaden the label for Fovista;
- conduct additional clinical trials of Zimura that may be required by regulatory authorities for us to seek marketing approval for Zimura for the treatment of geographic atrophy;
- in-license or acquire the rights to other complementary products, product candidates or technologies for the treatment of ophthalmic diseases;
- seek marketing approval for any product candidates that successfully complete clinical trials;
- expand our outsourced manufacturing activities and establish sales, marketing, distribution capabilities, if we receive, or expect to receive, marketing approval for any product candidates;
- maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, quality control and scientific personnel; and

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- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts.

We expect to obtain initial, top-line data from our Phase 3 clinical program for Fovista in 2016. As of March 31, 2014, we had cash, cash equivalents, and marketable securities of $290.8 million. We believe that our cash, cash equivalents and marketable securities, together with our potential future funding of $41.7 million under our royalty agreement with Novo A/S, will be sufficient to fund our operating expenses and capital expenditure requirements through at least the end of 2016. We estimate that such funds will be sufficient to enable us to obtain initial, top-line data from our Phase 3 clinical program for Fovista and to complete our currently planned additional clinical trials to further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need and to complete a Phase 2/3 clinical trial evaluating Zimura for the treatment of geographic atrophy and a Phase 2 clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. This estimate assumes, among other things, that we satisfy the conditions of our royalty agreement with Novo A/S and that we receive the full financing amount available under this royalty agreement on a timely basis. The royalty agreement provides that we will use the remaining proceeds we received and future proceeds, if any, under the royalty agreement primarily to support clinical development and regulatory activities for Fovista and for certain other permitted purposes. Our costs will also increase if we increase our investigator fees for our clinical trials or expand the scope of our clinical trials and programs, including, for example by changing the geographic mix of sites at which patients are enrolled, or to increase other corporate or licensing activities or staffing.

Our current Phase 3 clinical program for Fovista is expected to continue through at least 2017, and substantial expenditures to complete the Phase 3 clinical program will be required after the receipt of initial, top-line data. Moreover, we are at the early stages of formulating our clinical development plan for Zimura, which we expect will continue for at least the next several years. At this time, we cannot reasonably estimate the remaining costs necessary to complete the clinical development of either Fovista or Zimura, complete process development and manufacturing scale-up activities associated with Fovista and Zimura and potentially seek marketing approval for Fovista and Zimura, or the nature, timing or costs of the efforts necessary to complete the development of Zimura and any other product candidate we may develop.

Our future capital requirements will depend on many factors, including:

- the scope progress, costs and results of our Phase 3 clinical program for Fovista;
- the progress, costs and results of our planned clinical trials to further evaluate the potential benefit of Fovista in wet AMD when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need;
- the scope, progress, costs and results of our planned Phase 2/3 clinical trial evaluating Zimura for the treatment of geographic atrophy and whether and to what extent additional clinical trials may be required by regulatory authorities for us to seek marketing approval in this indication and our Phase 2 clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation;
- the costs and timing of process development and manufacturing scale-up activities associated with Fovista and Zimura;
- the costs, timing and outcome of regulatory review of Fovista and Zimura;

- the costs of commercialization activities for Fovista or Zimura if we receive, or expect to receive, marketing approval for either product candidate, including the costs and timing of expanding our outsourced manufacturing activities and establishing product sales, marketing and distribution capabilities;

- subject to receipt of marketing approval, net revenue received from commercial sales of Fovista or Zimura, after milestone payments and royalties;

- the scope, progress, results and costs of clinical trials for any other product candidates that we may develop;

- our ability to establish collaborations on favorable terms, if at all;

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- the extent to which we in-license or acquire rights to complimentary products, product candidates or technologies; and

- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending intellectual property-related claims.

Until such time, if ever, as we can generate substantial product revenues, we may finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. The potential future funding pursuant to our royalty agreement with Novo A/S is subject to enrollment of specified numbers of patients in our Phase 3 clinical trials of Fovista and our satisfying additional closing conditions and other obligations. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect their rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our pledge of assets, including intellectual property rights, as collateral to secure our obligations under our royalty agreement with Novo A/S may limit our ability to obtain debt financing. If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Royalty Financing

In May 2013, we entered into our royalty agreement with Novo A/S, pursuant to which we may obtain royalty financing in three tranches in an amount of up to $125.0 million in return for the sale to Novo A/S of aggregate royalties at low to mid-single-digit percentages of worldwide sales of Fovista, with the royalty percentage determined by the amount of funding provided by Novo A/S. The first and second tranches of the royalty financing, in which Novo A/S purchased two low single-digit royalty interests and paid us $83.3 million in the aggregate, closed in May 2013 and January 2014. Under the royalty agreement, Novo A/S agreed to purchase from us, and we agreed to sell to Novo A/S, an additional low single-digit royalty interest on worldwide sales of Fovista, for a purchase price of $41.7 million. If the final royalty interest under the royalty agreement is purchased, Novo A/S will have a right to receive royalties on worldwide sales of Fovista at a mid-single-digit percentage. The closing of the final financing tranche is subject to the enrollment of a specified number of patients in our Phase 3 clinical trials of Fovista and our satisfying additional closing conditions and other obligations.

Under specified circumstances, including terminations, suspensions or delays of our Phase 3 clinical trials for Fovista, the failure of certain closing conditions to be satisfied or transactions involving a change of control of us in which the acquiring party does not meet certain specifications, Novo A/S has the option to cancel the subsequent purchase and sale of the final royalty interest. We also have the option to cancel the subsequent purchase and sale of the final royalty interest in specified circumstances, including terminations, suspensions or delays in our Phase 3 clinical trials for Fovista, any change of control of us or the completion of equity financings meeting specified thresholds.

The royalty payment period begins on the commercial launch of Fovista and ends, on a country-by-country basis, on the latest to occur of the twelfth anniversary of the commercial launch of Fovista, the expiration of certain patent rights covering Fovista, and the expiration of regulatory exclusivity for Fovista, in each applicable country. Royalty payments will be payable quarterly in arrears during the royalty period. Our obligations under our agreement with Novo A/S may also apply to certain other anti-platelet derived growth factor, or anti-PDGF, products we may develop.

We used a portion of the proceeds that we initially received under the royalty agreement to repay in full an aggregate of $14.4 million of outstanding principal, interest and fees under our venture debt facility. The royalty agreement provides that we will use the remaining proceeds we received, and future proceeds, if any, from the sale of royalty interests under the royalty agreement, primarily to support clinical development and regulatory activities for Fovista and, to the extent applicable, other specified products we may develop pursuant to the terms of the royalty agreement, and for general corporate expenses. We intend to use the proceeds from the second tranche of financing that we received in January 2014 to support clinical development and regulatory activities for Fovista.

The royalty agreement requires the establishment by us and Novo A/S of a joint oversight committee in relation to the development of Fovista in the event that Novo A/S does not continue to have a representative on our board of directors. The royalty agreement also contains customary representations and warranties, as well as certain covenants relating to the operation of our

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business, including covenants requiring us to use commercially reasonable efforts to continue our development of Fovista, to file, prosecute and maintain certain patent rights and, in our reasonable judgment, to pursue claims of infringement of our intellectual property rights. The royalty agreement also places certain restrictions on our business, including restrictions on our ability to grant security interests in our intellectual property to third parties, to sell, transfer or

out-license intellectual property, or to grant others rights to receive royalties on sales of Fovista and certain other products. We reimbursed Novo A/S for specified legal and other expenses and are required to provide Novo A/S with certain continuing information rights. We have agreed to indemnify Novo A/S and its representatives with respect to certain matters, including with respect to any third-party infringement or product liability claims relating to our products. Our obligations under the royalty agreement are secured by a lien on certain of our intellectual property and other rights related to Fovista and other anti-PDGF products we may develop.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of March 31, 2014:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			($ in thousands)		
Operating Leases (1)	$ 4,922	$ 651	$ 1,769	$ 1,761	$ 741
Total (2)	$ 4,922	$ 651	$ 1,769	$ 1,761	$ 741

(1) Operating lease obligations reflect our obligation to make payments in connection with leases for our office space.

(2) This table does not include (a) any milestone payments which may become payable to third parties under license agreements as the timing and likelihood of such payments are not known with certainty, (b) any royalty payments to third parties as the amounts, timing and likelihood of such payments are not known, (c) contracts that are entered into in the ordinary course of business which are not material in the aggregate in any period presented above and (d) the royalty purchase liability of $83.3 million due to the fact that the royalty payment period is not known.

Under various agreements, we may be required to pay royalties and make milestone payments. These agreements include the following:

- Under our acquisition agreement with OSI (Eyetech), Inc., or Eyetech, which agreement is now held by OSI Pharmaceuticals, LLC., or OSI Pharmaceuticals, a subsidiary of Astellas US, LLC, for rights to particular anti-PDGF aptamers, including Fovista, we are obligated to pay to OSI Pharmaceuticals future one-time payments of $12.0 million in the aggregate upon marketing approval in the United States and the European Union of a covered anti-PDGF product. We also are obligated to pay to OSI Pharmaceuticals a royalty at a low single-digit percentage of net sales of any covered anti-PDGF product we successfully commercialize.

- Under a license agreement with Archemix Corp., or Archemix, with respect to pharmaceutical products comprised of or derived from any anti-PDGF aptamer, we are obligated to make future payments to Archemix of up to an aggregate of $14.0 million if we achieve specified clinical and regulatory milestones with respect to Fovista, up to an aggregate of $3.0 million if we achieve specified commercial milestones with respect to Fovista and, for each other anti-PDGF aptamer product that we may develop under the agreement, up to an aggregate of approximately $18.8 million if we achieve specified clinical and regulatory milestones and up to an aggregate of $3.0 million if we achieve specified commercial milestones. No royalties are payable to Archemix under this license agreement. From inception through March 31, 2014, we have made payments of approximately $4.8 million resulting from this agreement.

- Under a license agreement with Archemix with respect to pharmaceutical products comprised of or derived from anti-C5 aptamers, for each anti-C5 aptamer product that we may develop under the agreement, including Zimura, we are obligated to make future payments to Archemix of up to an aggregate of $57.5 million if we achieve specified development, clinical and regulatory milestones and, as to all anti-C5 products under the agreement collectively, up to an aggregate of $22.5 million if we achieve specified commercial milestones. We are also obligated to pay Archemix a double-digit percentage of specified non-royalty payments we may receive from any sublicensee of our rights under this license agreement. No royalties are payable to Archemix under this license agreement. From inception through March 31, 2014, we have made payments totaling $2.0 million under this agreement.

- Under a license, manufacturing and supply agreement with Nektar Therapeutics, or Nektar, for specified pegylation reagents used to manufacture Fovista, we are obligated to make future payments to Nektar of up to an aggregate of $4.5 million if we achieve specified clinical and regulatory milestones, and an additional payment of $3.0 million if we achieve

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a specified commercial milestone with respect to Fovista. We are obligated to pay Nektar tiered royalties at low to mid-single-digit percentages of net sales of any licensed product we successfully commercialize, with the royalty percentage determined by our level of licensed product sales, the extent of patent coverage for the licensed product and whether we have granted a third-party commercialization rights to the licensed product. We have agreed to pay Nektar a low double-digit percentage of any upfront payment we receive in connection with granting any third-party commercialization rights to a licensed product less certain milestone events the company has previously paid, and a higher double-digit percentage of other specified amounts, such as milestone payments, we receive in connection with any such commercialization agreement, subject to agreed minimum and maximum amounts. From inception through March 31, 2014, we have made approximately $1.8 million in payments resulting from this agreement.

- Under our royalty agreement with Novo A/S with respect to Fovista, we are obligated to pay Novo A/S a low to mid-single-digit percentage royalty based on worldwide sales of Fovista, with the royalty percentage determined by the amount of funding provided by Novo A/S. See "—Royalty Financing" above for further information about our royalty agreement with Novo A/S.

We also have employment agreements with certain employees which require the funding of a specific level of payments, if certain events, such as a change in control, termination without cause or retirement, occur.

In addition, in the course of normal business operations, we have agreements with contract service providers to assist in the performance of our research and development and manufacturing activities. Expenditures to CROs represent a significant cost in clinical development. We can elect to discontinue the

work under these agreements at any time. We could also enter into additional collaborative research, contract research, manufacturing, and supplier agreements in the future, which may require upfront payments and even long-term commitments of cash.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under Securities and Exchange Commission rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. We had cash, cash equivalents and marketable securities of $290.8 million as of March 31, 2014, consisting of cash, money market funds that invest in U.S. Treasury securities, and direct investment in U.S. Treasury securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because a significant portion of our investments are in short-term securities. Our available for sale securities are subject to interest rate risk and will fall in value if market interest rates increase. Due to the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio.

We contract with CROs and contract manufacturers globally. We may be subject to fluctuations in foreign currency rates in connection with certain of these agreements. Transactions denominated in currencies other than the U.S. dollar are recorded based on exchange rates at the time such transactions arise. As of March 31, 2014, substantially all of our total liabilities were denominated in the U.S. dollar.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2014. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2014, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) occurred during the three months ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors.

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. Please see page 1 of this Quarterly Report on Form 10-Q for a discussion of some of the forward-looking statements that are qualified by these risk factors. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant operating losses since our inception. We expect to incur losses for at least the next several years and may never achieve or maintain profitability.

Since inception, we have experienced significant cash outflows in funding our operations.. Our net loss was $20.7 million for the three months ended March 31, 2014 and $4.6 million for the three months ended March 31, 2013. As of March 31, 2014, we had a deficit accumulated during the development stage of $203.7 million. To date, we have not generated any revenues and have financed our operations primarily through private placements of our preferred stock, venture debt borrowings, our royalty purchase and sale agreement with Novo A/S our initial public offering, which we closed in September 2013 and our follow-on public offering, which we closed in February 2014. We received net proceeds from our initial public offering of $175.6 million, after deducting underwriting discounts and commissions and other offering expenses payable by us. We received net proceeds from our follow-on public offering of $55.4 million, after deducting underwriting discounts and commissions and other offering expenses payable by us. We have devoted substantially all of our financial resources and efforts to research and development. We expect to continue to incur significant expenses and increasing operating losses over the next several years. Our net losses may fluctuate significantly from quarter to quarter and year to year.

Our most advanced product candidates, Fovista and Zimura, are still in clinical development. We expect our expenses to increase substantially as compared to prior periods, particularly as we continue the development of Fovista in our Phase 3 clinical program for the treatment of wet AMD. We initiated our pivotal Phase 3 clinical program for Fovista in August 2013. We plan to enroll a total of 1,866 patients for this program, most or all of which we expect to enroll in 2014 and 2015. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need and pursue the development of Zimura, with an initial focus on the treatment of geographic atrophy, a severe form of dry AMD, and pursue an additional planned clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation. In addition, if we obtain marketing approval for Fovista, Zimura or any other product candidate that we develop, we expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing. We are party to agreements, specifically an asset acquisition agreement with OSI (Eyetech), Inc., or Eyetech, which agreement is now held by OSI Pharmaceuticals, LLC, or OSI Pharmaceuticals, a subsidiary of Astellas US, LLC, and license agreements with Archemix Corp., or Archemix, and Nektar Therapeutics, or Nektar, that impose significant milestone payment obligations on us in connection with our achievement of specific clinical, regulatory and commercial milestones with respect to Fovista. See “Business—Acquisition and License Agreements” for more information. Furthermore, we expect to incur additional costs associated with being a public company, including legal, compliance, accounting and investor and public relations expenses, as well as increased insurance premiums.

Our expenses also will increase if and as we:

- undertake additional clinical development of Fovista, if it is approved, in support of our efforts to broaden the label for Fovista;

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- conduct additional clinical trials of Zimura that may be required by regulatory authorities for us to seek marketing approval of Zimura for the treatment of geographic atrophy;
- in-license or acquire the rights to other complementary products, product candidates or technologies for the treatment of ophthalmic diseases;
- seek marketing approval for any product candidates that successfully complete clinical trials;
- expand our outsourced manufacturing activities and establish sales, marketing and distribution capabilities, if we receive, or expect to receive, marketing approval for any of our product candidates;
- maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, quality control and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our clinical, manufacturing and planned future commercialization efforts.

If we are required by the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, or regulatory authorities in other jurisdictions to perform clinical trials or studies in addition to those we currently expect to conduct, or if there are any delays in completing the clinical trials of Fovista or Zimura, or the development of any of our other product candidates, our expenses could increase. Our costs will also increase if we increase our investigator fees for our clinical trials or expand the scope of our clinical trials and programs, including, for example, by changing the geographic mix of sites at which patients are enrolled, or to increase other corporate or licensing activities or staffing.

Our ability to become and remain profitable depends on our ability to generate revenue in excess of our expenses. We do not expect to generate significant revenue unless and until we obtain marketing approval for, and commercialize, our product candidates, and in particular, Fovista, which we do not expect will occur before 2017, if ever. This will require us to be successful in a range of challenging activities, including:

- obtaining favorable results from our Phase 3 clinical program for Fovista;
- if initiated, obtaining favorable results, especially with respect to safety, in our other planned clinical trials involving Fovista;
- subject to obtaining favorable results from our Phase 3 clinical program, applying for and obtaining marketing approval for Fovista;
- establishing sales, marketing and distribution capabilities to effectively market and sell Fovista in the United States with our own specialty sales force targeting retinal specialists;
- establishing collaboration, distribution or other marketing arrangements with third parties to commercialize Fovista in markets outside the United States;
- obtaining adequate coverage and reimbursement for our product candidates, if approved, from governmental and third-party payors;
- protecting our rights to our intellectual property portfolio related to Fovista; and
- ensuring the manufacture of commercial quantities of Fovista.

We may never succeed in these activities and, even if we do, may never generate revenues that are significant enough to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.

Our short operating history may make it difficult for our stockholders to evaluate the success of our business to date and to assess our future viability.

We are a development stage company. We were incorporated and commenced active operations in 2007. Our operations to date have been limited to organizing and staffing our company, acquiring rights to product candidates, business planning, raising capital and developing Fovista, Zimura and our other product candidates. We have not yet demonstrated our ability to successfully complete a large-scale, pivotal clinical trial, obtain marketing approval, manufacture at commercial scale, or arrange for a third party to do so on our behalf, or conduct sales, marketing and distribution activities necessary for successful product commercialization. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history.

In addition, as a new business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition from a company with a product development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We will need substantial additional funding. If we are unable to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

We expect our expenses to increase substantially as compared to prior periods, particularly as we continue the development of Fovista in our Phase 3 clinical program for the treatment of wet AMD. We plan to enroll a total of 1,866 patients for this program, most or all of which we expect to enroll in 2014 and 2015. In addition, we also expect our expenses to increase as we further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need, pursue the development of Zimura, with an initial focus on the treatment of geographic atrophy, a severe form of dry AMD, and pursue an additional planned clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation. In addition, if we obtain marketing approval for Fovista, Zimura or any other product candidate that we develop, we expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing. Our expenses will increase if we suffer any delays in our Phase 3 clinical program for Fovista, including delays in receipt of regulatory clearance to begin our Phase 3 clinical trials in jurisdictions where clearance is required and we have not yet obtained clearance or delays in enrollment of patients. If we obtain marketing approval for Fovista, Zimura or any other product candidate that we develop, we expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing. Furthermore, we expect to incur additional costs associated with being a public company, hiring additional personnel and expanding our facilities. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We expect to obtain initial, top-line data from our Phase 3 clinical program for Fovista in 2016. As of March 31, 2014, we had cash, cash equivalents, and marketable securities of $290.8 million. We believe that our cash, cash equivalents and marketable securities, together with our potential future funding of $41.7 million under our royalty agreement with Novo A/S, will be sufficient to fund our operating expenses and capital expenditure requirements through at least the end of 2016. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. This estimate assumes, among other things, that we receive the full financing amount available under our royalty agreement with Novo A/S on a timely basis. The royalty agreement provides that we will use the remaining proceeds we have received and future proceeds, if any, under this royalty agreement primarily to support clinical development and regulatory activities for Fovista and for certain other permitted purposes. We are planning to spend significant additional funds on our Phase 3 clinical program for Fovista, on our other planned clinical programs, including additional clinical trials to further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need, an additional planned clinical trial evaluating Zimura for the treatment of geographic atrophy and pursue an additional planned clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation, and for general corporate purposes and working capital. Costs related to our clinical programs could exceed our expectations if we experience delays in our clinical trials, including because of the timing of our patient enrollment, the availability of drug supply for our clinical trials or for other reasons. Our costs will also increase if we increase investigator fees for our clinical trials or expand the scope of our clinical trials and programs, including, for example, by changing the geographic mix of sites at which patients are enrolled, or to increase other corporate or licensing activities or staffing.

Our current Phase 3 clinical program for Fovista is expected to continue through at least 2017, and substantial expenditures to complete the Phase 3 clinical program will be required after the receipt of initial, top-line data. Moreover, we are at the early stages of formulating our clinical development plan for Zimura. We expect the clinical development of Zimura will continue for at least the

next several years. At this time, we cannot reasonably estimate the remaining costs necessary to complete the clinical development of either Fovista or Zimura, complete process development and manufacturing scale-up activities associated with Fovista and Zimura and potentially seek marketing approval for Fovista or Zimura, or the nature, timing or costs of the efforts necessary to complete the development of any other product candidate we may develop.

Our future capital requirements will depend on many factors, including:

- the scope, progress, costs and results of our Phase 3 clinical program for Fovista;
- the progress, costs and results of our planned additional clinical trials to further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need;
- the scope, progress, results and costs of our planned Phase 2/3 clinical trial evaluating Zimura for the treatment of geographic atrophy and whether and to what extent additional clinical trials may be required by regulatory authorities for us to seek marketing approval in this indication and our Phase 2 clinical trial evaluating Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation;
- the costs and timing of process development and manufacturing scale-up activities associated with Fovista and Zimura;
- the costs, timing and outcome of regulatory review of Fovista and Zimura;

- the costs of commercialization activities for Fovista or Zimura if we receive, or expect to receive, marketing approval for either product candidate, including the costs and timing of expanding our outsourced manufacturing activities and establishing product sales, marketing and distribution capabilities;

- subject to receipt of marketing approval, revenue received from commercial sales of Fovista or Zimura, after milestone payments and royalties;

- the scope, progress, results and costs of our clinical trials for any other product candidates that we may develop;

- our ability to establish collaborations on favorable terms, if at all;

- the extent to which we in-license or acquire rights to complementary products, product candidates or technologies; and

- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property-related claims.

Our commercial revenues, if any, will be derived from sales of Fovista, Zimura or any other products that we successfully develop, none of which we expect to be commercially available for several years, if at all. In addition, if approved, Fovista, Zimura or any other product candidate that we develop or any product that we in-license may not achieve commercial success. Accordingly, we will need to obtain substantial additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans.

If we fail to enroll patients in our Phase 3 clinical trials of Fovista as planned or fail to comply with our obligations in our royalty agreement with Novo A/S, we could lose access to funds that are important to our business, which may force us to delay or terminate the development of Fovista. In addition, a default under the royalty agreement with Novo A/S would permit Novo A/S to foreclose on the Fovista intellectual property.

In May 2013, we entered into a royalty purchase and sale agreement, or royalty agreement, with Novo A/S for a financing of up to $125.0 million in return for the sale to Novo A/S of royalty interests in worldwide sales of Fovista. We received approximately $83.3 million of this royalty financing in two separate tranches in May 2013 and January 2014. We are obligated to pay Novo A/S royalties in the low to mid single-digit percentages of worldwide sales of Fovista, with the royalty percentage determined by the amount of funding provided by Novo A/S.

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We are subject to diligence and other obligations under our royalty agreement with Novo A/S. If we fail to enroll the specified numbers of patients in our Phase 3 clinical trials of Fovista and satisfy additional closing conditions under the royalty agreement or fail to satisfy our other obligations, Novo A/S will have no further obligation to pay additional funds to us under the royalty agreement. We would then need to raise substantial additional funding through public or private equity offerings, debt financings, corporate collaboration and licensing arrangements or other financing alternatives. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay or terminate our research and development programs, including for Fovista, or any future commercialization efforts.

In addition, our obligations under our royalty agreement with Novo A/S are secured by collateral, which includes certain intellectual property rights, including all of our intellectual property rights relating to Fovista and regulatory approvals, if any, of Fovista. If we fail to satisfy our diligence obligations or breach any other of our obligations under the royalty agreement with Novo A/S and fail to cure the breach within any applicable grace period, Novo A/S could declare an event of default. In such event, Novo A/S could seek to foreclose on the collateral securing our obligations. If Novo A/S successfully does so, we would lose our rights to develop and commercialize Fovista.

Our obligations under our royalty agreement with Novo A/S and the pledge of our intellectual property rights in and regulatory approvals, if any, of Fovista as collateral under such agreement may limit our ability to obtain debt financing.

Raising additional capital may cause dilution to our stockholders restrict our operations or require us to relinquish rights to our technologies or product candidates.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. The potential funding pursuant to our royalty agreement with Novo A/S is subject to enrollment of specified numbers of patients in our Phase 3 clinical trials of Fovista and our satisfying additional closing conditions and other obligations. We do not have any other committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our existing stockholders' rights as holders of our common stock. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our pledge of assets, including intellectual property rights, as collateral to secure our obligations under our royalty agreement with Novo A/S may limit our ability to obtain debt financing.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, products or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

We have broad discretion in the use of our available cash and other sources of funding and may not use them effectively.

Our management has broad discretion in the use of our available cash and other sources of funding and could spend those resources in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result

in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest our available cash in a manner that does not produce income or that loses value.

Risks Related to Product Development and Commercialization

We depend heavily on the success of our lead product candidate, Fovista, which we are developing to be administered in combination with anti-VEGF drugs for the treatment of patients with wet AMD. In addition, we also depend on the success of Zimura, which we are developing with an initial focus on the treatment of geographic atrophy, a severe form of dry AMD. If we are unable to complete the clinical development of either of these product candidates, if we are unable to obtain marketing approvals for either of these product candidates, or if either of these product candidates is approved and we fail to successfully commercialize the product candidate or experience significant delays in doing so, our business will be materially harmed.

We have invested a significant portion of our efforts and financial resources in the development of Fovista to be administered in combination with anti-VEGF drugs for the treatment of patients with wet AMD. There remains a significant risk that we will fail to

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successfully develop Fovista. The results of our Phase 2b clinical trial may not be predictive of the results of our Phase 3 clinical program due, in part, to the fact that we have no clinical data on Fovista combination therapy in any clinical trial longer than 24 weeks, that we have modified the methodology used to determine a patient's eligibility under certain of the inclusion and exclusion criteria for our Phase 3 clinical trials as compared to our Phase 2b clinical trial, that we have no clinical data on the effects of Fovista when administered in combination with Avastin or Eylea and that we plan to conduct our Phase 3 clinical trials at many clinical centers that were not included in our Phase 2b clinical trial.

We do not expect to have initial, top-line data from our Phase 3 clinical program for Fovista available until 2016. The timing of the availability of such top-line data and the completion of our Phase 3 clinical program is dependent, in part, on our ability to locate and enroll a sufficient number of eligible patients in our Phase 3 clinical program on a timely basis. The timing of the availability of initial, top-line data from our Phase 3 clinical trial evaluating the safety and efficacy of Fovista administered in combination with each of Avastin or Eylea may be subject to particular variability because we have no clinical experience testing Fovista administered in combination with Avastin or Eylea. Avastin is not approved for intravitreal use in treating wet AMD, and regulatory authorities may not allow, or physicians and patients may choose not to participate in, a clinical trial in which Avastin is administered in combination with Fovista for the treatment of wet AMD. Even if we ultimately obtain statistically significant, positive results from our Phase 3 clinical program, we do not expect to submit applications for marketing approval for Fovista until the end of 2016.

If we are not able to obtain data from our Phase 3 clinical trial evaluating Fovista administered in combination with each of Avastin or Eylea when data from our other two Phase 3 clinical trials evaluating Fovista administered in combination with Lucentis are available, we may nonetheless decide to proceed with submitting applications for marketing approval for Fovista administered only in combination with Lucentis. If we submit applications for marketing approval for Fovista only in combination with Lucentis, we may determine either to delay seeking approval of Fovista in combination with Avastin or Eylea until after regulatory authorities have considered and acted on our applications for Fovista in combination with Lucentis, or to amend our applications once data from our third Phase 3 clinical trial become available. If we were to delay seeking approval of Fovista in combination with Avastin or Eylea pending regulatory action on our applications for Fovista in combination with Lucentis, the FDA or other regulatory authorities could defer taking action on our applications while data remain outstanding from our third Phase 3 clinical trial. Moreover, if we subsequently amend our applications for marketing approval when data from our third Phase 3 clinical trial become available, we may experience further delays in our application process. Additionally, we expect that our Phase 3 clinical trials will continue in accordance with their protocols after we submit applications for marketing approval, and the conclusions of those trials may yield data that are inconsistent with the initial data used to support our applications. Furthermore, we expect to commence additional clinical trials to further evaluate the potential benefit of Fovista in wet AMD, when administered in combination with anti-VEGF drugs, and in other ophthalmic diseases and conditions with unmet need during the course of our ongoing Phase 3 clinical development program, and to evaluate Zimura and Fovista administered in combination with an anti-VEGF drug for the treatment of anti-VEGF resistant wet AMD patients who are believed to have complement mediated inflammation. We are also planning to supply Fovista for other third-party sponsored clinical trials. Adverse safety events or negative or inconclusive efficacy results in any of these trials may impact the progress of our Phase 3 clinical program. In addition, adverse results from any of these additional planned clinical trials would be disclosed in and could negatively impact our applications for marketing approval for Fovista administered in combination with anti-VEGF drugs for the treatment of wet AMD. As a result of these and other factors, we cannot accurately predict when or if Fovista will prove effective or safe in humans or will receive marketing approval.

In addition, we have invested substantial financial resources in the development of Zimura for the treatment of patients with both dry and wet AMD. There remains a significant risk that we will fail to successfully develop Zimura. We have very limited data from our completed Phase 2a clinical trial evaluating the safety and effectiveness of Zimura for the treatment of dry AMD and our completed Phase 2a clinical trial evaluating the safety and effectiveness of Zimura administered in combination with Lucentis for the treatment of wet AMD. These trials enrolled 47 patients and 60 patients, and neither trial included a control arm. Furthermore, we have no clinical data on the effects of Zimura when administered in combination with both Fovista and an anti-VEGF drug.

We do not expect to receive interim results from our planned Phase 2/3 clinical trial of Zimura for the treatment of dry AMD until 2016. Furthermore, we do not expect to receive initial results from our planned Phase 2 clinical trial of Zimura and Fovista administered in combination with an anti-VEGF drug until 2016. The timing of the completion of and the availability of initial results from these planned clinical trials is dependent, in part, on our ability to complete manufacturing scale-up activities for Zimura and to locate and enroll a sufficient number of eligible patients in our planned trials on a timely basis. The timing of the receipt of initial results from our Phase 2 clinical trial evaluating the safety and efficacy of Zimura and Fovista administered in combination with an anti-VEGF drug may be subject to particular variability because we have no clinical experience testing Zimura administered in combination with Fovista and an anti-VEGF drug.

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Although our current development plan for Zimura calls for us to initiate a Phase 2/3 clinical trial evaluating the safety and efficacy of Zimura in treating patients with geographic atrophy, we may not initiate or complete this clinical trial for Zimura or any other clinical trial for Fovista, Zimura or any of

our other product candidates in accordance with our plans.

Other than with respect to our Phase 3 clinical program for Fovista, we are still in the early planning stages of our clinical trials. Although our plans reflect our current expectations regarding the endpoints, duration and number of patients to be included in our planned Phase 2/3 clinical trial evaluating Zimura for the treatment of geographic atrophy, we have only had preliminary discussions with regulatory authorities regarding our trial design. As we continue these discussions, our plans may change significantly based on feedback from such regulatory authorities.

Our ability to generate product revenues, which we do not expect will occur before 2017, if ever, will depend heavily on our obtaining marketing approval for and commercializing our product candidates, and in particular, Fovista and Zimura. The success of these product candidates will depend on several factors, including the following:

- obtaining favorable results from clinical trials;
- making arrangements with third-party manufacturers and receiving regulatory approval of our manufacturing processes and our third-party manufacturers' facilities from applicable regulatory authorities;
- for Fovista, receipt of marketing approvals from applicable regulatory authorities for the use of Fovista in combination with anti-VEGF drugs for the treatment of wet AMD and in particular, which anti-VEGF drugs are included in any such approval given that Avastin, one of the current standard of care anti-VEGF drugs, is not approved for intravitreal use;
- for Zimura, receipt of marketing approvals from applicable regulatory authorities for the use of Zimura for the treatment of dry AMD or the use of Zimura administered in combination with Fovista and anti-VEGF drugs for the treatment of wet AMD;
- the scope of the label that may be approved by applicable regulatory authorities, including the specific indication for which the product may be approved;
- launching commercial sales of the product candidate, if and when approved, whether alone or in collaboration with others;
- acceptance of the product candidate, if and when approved, by patients, the medical community and third-party payors;
- for Fovista, continued, widespread use of anti-VEGF therapies in the treatment of wet AMD in combination with which Fovista will be used;
- effectively competing with other therapies, including the existing standard of care, and other forms of drug delivery;
- maintaining a continued acceptable safety profile of the product candidate following approval;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity; and
- protecting our rights in our intellectual property portfolio.

Successful development of Fovista for the further treatment of wet AMD, the treatment of additional ophthalmic conditions, if any, or for use in other patient populations and our ability, if it is approved, to broaden the label for Fovista will depend on similar factors.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize Fovista, Zimura or any of our other product candidates, which would materially harm our business.

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If clinical trials of Fovista, Zimura or any other product candidate that we develop fail to demonstrate safety and efficacy to the satisfaction of the FDA, the EMA or other regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of Fovista, Zimura or any other product candidate.

Before obtaining approval from regulatory authorities for the sale of any product candidate, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their products.

Our Phase 2b clinical trial evaluated a combination of Fovista and Lucentis. In this trial, patients treated with a combination of 0.3 mg of Fovista and Lucentis did not achieve statistically significant superiority compared to Lucentis monotherapy based on the pre-specified primary endpoint of mean change in visual acuity from baseline at the 24 week timepoint. Although a combination of 1.5 mg of Fovista and Lucentis demonstrated statistically significant superiority in this trial compared to Lucentis monotherapy based on the pre-specified primary endpoint of mean change in visual acuity from baseline at the 24 week timepoint, we may nonetheless fail to achieve success in our Phase 3 clinical trials involving a combination of 1.5 mg of Fovista and Lucentis for a variety of potential reasons.

- The primary endpoint of mean change in visual acuity in our Phase 2b clinical trial was measured 24 weeks after the first dose of Fovista. The primary endpoint of mean change in visual acuity in our Phase 3 clinical program will be measured 12 months after the first dose of Fovista. We have no clinical data on Fovista combination therapy in any clinical trial longer than 24 weeks. We have modified the methodology used to determine a patient's eligibility under certain of the inclusion and exclusion criteria for our Phase 3 clinical trials as compared to our Phase 2b clinical trial. If the positive results we observed at 24 weeks in our Phase 2b clinical trial are not observed at 12 months, we likely will not receive marketing approval for Fovista.

- Retrospective subgroup analyses that we performed on the results of our Phase 2b clinical trial may not be predictive of the results of our Phase 3 clinical program. Furthermore, our retrospective analysis of retinal images of subretinal fibrosis from our Phase 2b clinical trial, to date, is based only on our initial assessment of a group of patients who experienced poor visual outcome following treatment with either 1.5 mg of Fovista in combination with 0.5 mg of Lucentis or Lucentis monotherapy in the trial. To date, our analysis is consistent with that of the masked independent reader, although the analysis is ongoing. While we believe that our retrospective analyses further support the results from our primary endpoint and our proposed mechanism of action, retrospective analyses performed after unblinding trial results can result in the introduction of bias and are given less weight by regulatory authorities than pre-specified analyses. Our proposed mechanism of action, in particular, as it relates to the inhibition of subretinal fibrosis, although scientifically rational, may not be supported by our confirmatory analysis of our Phase 2b retinal images or by future clinical trials. Our belief regarding Fovista's potential, when administered in combination with an anti-VEGF drug, to inhibit subretinal fibrosis and retinal scarring, may change based on such confirmatory analysis, subsequent clinical trials or other factors.

- We plan to conduct our Phase 3 clinical trials at many clinical centers that were not included in our Phase 2b clinical trial. The introduction of new centers, and the resulting involvement of new treating physicians, can introduce additional variability into the conduct of the trials in accordance with their protocols and may result in greater variability of patient outcomes, which could adversely affect our ability to detect statistically significant differences between patients treated with 1.5 mg of Fovista administered in combination with an anti-VEGF drug and anti-VEGF drug monotherapy.

Furthermore, our Phase 3 clinical program involves two Phase 3 clinical trials testing a combination of 1.5 mg of Fovista and Lucentis for the treatment of wet AMD and one trial testing a combination of 1.5 mg of Fovista with each of Avastin or Eylea for the treatment of wet AMD. We have no clinical efficacy data on the effects of Fovista when administered in combination with Avastin or Eylea for the treatment of patients with wet AMD. Avastin is not approved for such use.

Fovista administered in combination with Lucentis was generally well tolerated in our Phase 1 and Phase 2b clinical trials. However, the results of these clinical trials may not be predictive of the results of our Phase 3 clinical program for Fovista due, in part,

to the fact that we have no clinical safety data on patient exposure to Fovista administered in combination with any anti-VEGF drug for longer than 24 weeks and that we have no clinical safety data on the effects of Fovista when administered in combination with Avastin or Eylea.

In general, the FDA and similar regulatory authorities outside the United States require two adequate and well controlled clinical trials demonstrating safety and effectiveness for marketing approval. If a combination of 1.5 mg of Fovista and Lucentis fails to achieve superiority over Lucentis monotherapy with statistical significance on the primary endpoint of mean change in visual acuity from baseline at 12 months in both of our Phase 3 clinical trials evaluating the safety and efficacy of this combination, we likely will not receive marketing approval for Fovista even if the combination of 1.5 mg of Fovista with Avastin or Eylea achieves superiority over Avastin or Eylea monotherapy with statistical significance on the primary endpoint in one of our Phase 3 clinical trials. There are a variety of other possible outcomes of our Phase 3 clinical trials. As described below, positive outcomes in one or more of our Phase 3 clinical trials may not be sufficient for the FDA or similar regulatory authorities outside the United States to grant marketing approval for Fovista.

- If a combination of 1.5 mg of Fovista and Lucentis achieves superiority over Lucentis monotherapy with statistical significance on the primary endpoint in only one of our Phase 3 clinical trials and the combination of 1.5 mg of Fovista with Avastin or Eylea does not achieve superiority over Avastin or Eylea monotherapy with statistical significance on the primary endpoint in our other Phase 3 clinical trials, we likely will not receive marketing approval for Fovista.

- If a combination of 1.5 mg of Fovista and Lucentis achieves superiority over Lucentis monotherapy with statistical significance on the primary endpoint in only one of our Phase 3 clinical trials and the combination of 1.5 mg of Fovista with Avastin or Eylea achieves superiority over Avastin or Eylea monotherapy with statistical significance on the primary endpoint in our other Phase 3 clinical trial, the FDA or similar regulatory authorities outside the United States may nonetheless not grant marketing approval for Fovista.

- Even if a combination of 1.5 mg of Fovista and an anti-VEGF drug achieves superiority over an anti-VEGF drug monotherapy with statistical significance on the primary endpoint in two or all three of our Phase 3 clinical trials, the FDA or similar regulatory authorities outside the United States may nonetheless not grant marketing approval for Fovista if such regulatory authorities do not believe that the benefits offered by Fovista administered in combination with an anti-VEGF drug are clinically meaningful or that such benefits outweigh the observed or potential risks.

In the United States, Avastin and Eylea are two of the most widely used anti-VEGF drugs for the treatment of wet AMD. If a combination of 1.5 mg of Fovista with Avastin or Eylea does not achieve superiority over Avastin or Eylea monotherapy with statistical significance on the primary endpoint of mean change in visual acuity from baseline at 12 months in our Phase 3 clinical program, our ability to successfully commercialize Fovista in combination with any anti-VEGF drug could be harmed materially. In addition, any failure of Fovista administered in combination with Avastin or Eylea to achieve superiority over Avastin or Eylea monotherapy with statistical significance on the primary endpoint could cause the FDA or similar regulatory authorities outside the United States to require additional clinical trials or other research before granting marketing approval of Fovista for use in combination with any anti-VEGF drug, including Lucentis, for the treatment of patients with wet AMD. In addition, Avastin is not approved for use in treating wet AMD, either in the United States or outside of the United States, and regulatory authorities may not permit the product label for Fovista to include the use of Fovista in combination with Avastin if we were otherwise able to obtain marketing approval for Fovista for use in combination with other anti-VEGF drugs.

The protocols for our Phase 3 clinical trials and other supporting information are subject to review by the FDA and regulatory authorities outside the United States. The FDA is not obligated to comment on our protocols within any specified time period or at all or to affirmatively clear or approve our Phase 3 clinical program. We have submitted the protocols for our Phase 3 clinical trials to the FDA and have initiated two of the trials in our Phase 3 clinical program in the United States, both of which are evaluating the safety and efficacy of Fovista administered in combination with Lucentis, without waiting for any such comments. We activated initial trial sites in the third trial in this Phase 3 clinical program in the United States in the February 2014. The FDA or other regulatory authorities may request additional information, require us to conduct additional non-clinical trials or require us to modify our proposed

Phase 3 clinical program, including its endpoints, patient enrollment criteria or selection of anti-VEGF drugs, to receive clearance to initiate such program or to continue such program once initiated.

Outside the United States, we have made regulatory submissions in selected countries to initiate the two Phase 3 clinical trials of Fovista administered in combination with Lucentis. To date, we have obtained approval in most of these countries and have begun dosing patients in certain of those countries. We plan to submit applications seeking to initiate the third trial of Fovista administered in combination with Avastin or Eylea in the second quarter of 2014. In the European Union, as further described below, in addition to filing in selected countries with national competent authorities responsible for approving clinical trial applications, we have had continuing interactions regarding our planned application for marketing approval with the EMA's CHMP, which is the committee

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responsible for preparing opinions on questions concerning medicines for human use. The national competent authorities may follow the advice described below of the CHMP that we consider toxicity studies with Fovista administered in combination with Avastin or Eylea prior to initiating our corresponding Phase 3 clinical trial.

We may not receive clearance from regulatory authorities in jurisdictions outside the United States to initiate our Phase 3 clinical program in those jurisdictions on a timely basis. In addition, any modifications to our Phase 3 clinical program for Fovista may result in our incurring increased expense or in a delay in the enrollment or completion of such program.

In the fourth quarter of 2013, the CHMP provided scientific advice on our proposed Phase 3 clinical program for Fovista and our plan to seek regulatory approval for Fovista in the European Union. As part of that scientific advice, the CHMP advised us that the planned primary endpoint for each of the Phase 3 clinical trials for Fovista, mean change from baseline in best corrected visual acuity, was acceptable. In addition, the CHMP confirmed that carcinogenicity studies are not needed for our Phase 3 clinical program. The CHMP also advised us that we should justify our proposal to initiate, at the Phase 3 clinical trial stage, certain previously untested combinations of Fovista with Avastin or Eylea, and, as described above, that we should consider conducting toxicity studies with Fovista administered in combination with Avastin or Eylea prior to initiating our corresponding Phase 3 clinical trial. In addition, the CHMP informed us that the final label for Fovista, if it receives marketing approval, may be required to specify the licensed anti-VEGF drugs that were studied in combination with Fovista, given that Avastin is not approved for intravitreal use, rather than a broad label specifying Fovista for use in combination with any anti-VEGF drug. The CHMP further advised us that there would be a requirement for additional data to bridge the results from our Phase 3 clinical trials evaluating Fovista administered in combination with Lucentis as compared to Lucentis monotherapy to the less frequent dosing regimens of Lucentis and Eylea approved in the European Union.

In the first quarter of 2014, we received written confirmation from the CHMP on these issues. The CHMP is in agreement with our plan to use the dosing schedule approved for Eylea in the European Union as the dosing schedule in our Phase 3 clinical trial for Fovista administered in combination with Eylea so that no bridging study will be needed for this combination. The CHMP has also agreed with our plan for monthly dosing in the first year in both of our Phase 3 clinical trials evaluating Fovista administered in combination with Lucentis and, for one of these trials, to slightly modify the dosing regimen in the second year so that it is consistent with the dosing schedule approved for Lucentis in the European Union. The dosing schedule for the second year in the other trial evaluating Fovista administered with Lucentis remains unchanged. Accordingly, no bridging study will be needed and our anticipated timing and overall expense of our Phase 3 clinical plan, including our plan to have initial, top-line data from our Phase 3 clinical program for Fovista available in 2016, remains unchanged. We also anticipate that our existing cash and cash equivalents and potential funding under our royalty agreement with Novo A/S will be sufficient to enable us to fund our operating expenses and capital expenditure requirements through at least the end of 2016.

Although our plans reflect our current expectations regarding the endpoints, duration and number of patients to be included in our planned Phase 2/3 clinical trial evaluating Zimura for the treatment of geographic atrophy, we have only had preliminary discussions with regulatory authorities regarding our trial design. As we continue these discussions, our plans may change significantly based on feedback from such regulatory authorities. We expect that we will be required by regulatory authorities to conduct additional clinical trials of Zimura prior to seeking marketing approval in this indication.

If we are required to conduct additional clinical trials or other testing of Fovista, Zimura or any other product candidate that we develop beyond those that we contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements; or
- have the product removed from the market after obtaining marketing approval.

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If we experience any of a number of possible unforeseen events in connection with our clinical trials, potential marketing approval or commercialization of our product candidates could be delayed or prevented.

We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our product candidates, including:

- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;

- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;

- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- we may experience delays in reaching, or fail to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;

- we may decide, or regulators or institutional review boards may require us, to suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks;

- the cost of clinical trials of our product candidates may be greater than we anticipate; and

- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates, such as the anti-VEGF drugs we need to use in combination with Fovista, may become insufficient or inadequate.

Our product development costs will also increase if we experience delays in testing or marketing approvals. We do not know whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate new or continue ongoing clinical trials for Fovista, Zimura or any other product candidate that we develop if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States. In addition, some of our competitors have ongoing clinical trials for product candidates that treat the same indications as Fovista and Zimura, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates.

Patient enrollment is affected by other factors, including:

- severity of the disease under investigation;

- the ability of current technology to adequately define the disease state;

- eligibility criteria for the study in question;

- perceived risks and benefits of the product candidate under study;

- efforts to facilitate timely enrollment in clinical trials;

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- patient referral practices of physicians;

- the ability to monitor patients adequately during and after treatment; and

- proximity and availability of clinical trial sites for prospective patients.

Additional financing under our royalty agreement with Novo A/S is contingent upon enrolling specified numbers of patients in our Phase 3 clinical trials of Fovista and our satisfying additional closing conditions and other obligations. Novo A/S will not be required to provide the additional royalty financing unless we enroll the specified numbers of patients. In addition, our inability to locate and enroll a sufficient number of patients for our clinical trials would result in significant delays in our clinical trials, could require us to abandon one or more clinical trials altogether and could delay or prevent our receipt of necessary regulatory approvals. Enrollment delays in our clinical trials also may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

If serious adverse or unacceptable side effects are identified during the development of Fovista, Zimura or any other product candidate that we develop, we may need to abandon or limit our development of Fovista, Zimura or any other product candidate.

If Fovista, Zimura or any other of our product candidates are associated with serious adverse events or undesirable side effects in clinical trials or have characteristics that are unexpected, we may need to abandon their development or limit development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Although Fovista administered in combination with Lucentis was generally well tolerated in our Phase 1 clinical trial and our Phase 2b clinical trial, we have no clinical safety data on patient exposure to Fovista administered in combination with Lucentis for longer than 24 weeks, and we have no clinical safety data on the effects of Fovista when administered in combination with Avastin or Eylea. Many compounds that initially showed promise in clinical or earlier stage testing have later

been found to cause side effects that prevented further development of the compound. Our Phase 3 clinical program for Fovista involves the administration of Fovista in combination with anti-VEGF drugs, and the safety results of our trials are dependent, in part, on the safety and tolerability of the anti-VEGF drug administered in combination with Fovista. Avastin is not approved for the treatment of wet AMD, and according to third-party clinical studies, may be associated with a greater risk of serious adverse events or undesirable side effects as compared to Lucentis. Furthermore, we have very limited data regarding the safety and efficacy of Zimura for the treatment of geographic atrophy. In addition, we have no clinical data on the effects of Zimura when administered in combination with both Fovista and an anti-VEGF drug.

Even if Fovista, Zimura or any other product candidate that we develop receives marketing approval, such product candidate may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success and the market opportunity for any of our products and product candidates may be smaller than we estimate.

If any of our product candidates receive marketing approval, they may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. For example, current treatments for wet AMD, including Lucentis, Eylea and low cost, off-label use of Avastin, are well established in the medical community, and doctors may continue to rely on these treatments without Fovista. If Fovista does not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of Fovista, Zimura or any other product candidate that we develop, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and potential advantages compared to alternative treatments, including the existing standard of care;
- any restrictions on the use of our products in combination with other medications, such as a Fovista label requiring a waiting period after the intravitreal injection of the anti-VEGF drug and prior to the intravitreal injection of Fovista;
- any restrictions on the use of our products to a subgroup of patients, such as by excluding from the Fovista label patients with pure occult subtype wet AMD;
- restrictions in the label on the use of Fovista with a particular anti-VEGF drug;
- any changes in the dosing regimen of, or the means of administering or delivering, an anti-VEGF drug with which Fovista will be used;

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- our ability to offer our products at competitive prices, particularly in light of the additional cost of Fovista together with an anti-VEGF drug;
- availability of third-party coverage and adequate reimbursement, particularly by Medicare given our target market for persons over age 55;
- willingness of the target patient population to try new therapies and of physicians to prescribe these therapies, particularly in light of the existing available standard of care;
- prevalence and severity of any side effects;
- whether competing products or other alternatives are more convenient or easier to administer, including whether co-formulated alternatives, alternatives that can be co-administered in a single syringe or alternatives that offer a less invasive method of administration than intravitreal injection come to market; and
- strength of our marketing and distribution support.

In addition, the potential market opportunity for Fovista is difficult to estimate precisely. If Fovista receives marketing approval for the treatment of wet AMD, it will be approved solely for use in combination with an anti-VEGF drug. The market opportunity for Fovista will be dependent upon the continued use of anti-VEGF drugs in the treatment of wet AMD and the market share of such anti-VEGF drugs for which Fovista is approved as a combination therapy. In addition, because physicians, patients and third-party payors may be sensitive to the addition of the cost of Fovista to the cost of treatment with anti-VEGF drugs, we may experience downward pressure on the price we can charge for Fovista.

Our Phase 3 clinical program excludes from enrollment wet AMD patients with pure occult choroidal neovascularization. Based on enrollment of wet AMD patients in third-party clinical trials, the pure occult subtype accounts for approximately 40% of the cases of subfoveal wet AMD. If Fovista receives marketing approval for the treatment of wet AMD and the approved label excludes patients with pure occult lesions, the potential market opportunity for Fovista will be limited to the extent that physicians do not prescribe Fovista for such patients.

Our Phase 3 clinical program provides for a 30-minute delay in the injection of Fovista after the anti-VEGF drug to minimize the risk in our clinical trials of an unacceptable increase in intraocular pressure as a result of the amount of the two agents injected. If Fovista receives marketing approval for the treatment of wet AMD and the approved label requires such a waiting period, the potential market opportunity for Fovista may be limited to the extent that physicians and patients find such a waiting period unacceptable. Our ability to develop, acquire or in-license viable drug delivery technologies or methods for co-formulation may be limited, and we may not be able to respond adequately to the competitive dynamics within the wet AMD treatment market.

Our estimates of the potential market opportunity for each of Fovista and Zimura include several key assumptions based on our industry knowledge, industry publications, third-party research reports and other surveys. While we believe that our internal assumptions are reasonable, no independent source has verified such assumptions. If any of these assumptions proves to be inaccurate, then the actual market for Fovista or Zimura could be smaller than our estimates of our potential market opportunity. If the actual market for Fovista or Zimura is smaller than we expect, our product revenue may be limited and it may be more difficult for us to achieve or maintain profitability.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The development and commercialization of new drug products is highly competitive. We face competition with respect to Fovista and Zimura from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of pharmaceutical and

biotechnology companies that currently market and sell products or are pursuing the development of product candidates for the treatment of wet AMD or other disease indications for which we may develop Fovista. Although there are currently no therapies approved by the FDA or the EMA for the treatment of dry AMD, there are also a number of pharmaceutical and biotechnology companies that are currently pursuing the development of products for this indication. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. Some of these competitive products and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. We also will face similar competition with respect to any other products or product candidates that we may seek to develop or commercialize in the future for the treatment of wet AMD, dry AMD or other diseases.

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The current standard of care for wet AMD is monotherapy administration of anti-VEGF drugs, principally Avastin, Lucentis and Eylea. Although Avastin is not approved for such use, we are developing Fovista for administration in combination with each of these anti-VEGF drugs, including Avastin. These drugs are well established therapies and are widely accepted by physicians, patients and third-party payors. When used for the treatment of wet AMD, Avastin is inexpensive. Physicians, patients and third-party payors may not accept the addition of Fovista to their current treatment regimens for a variety of potential reasons, including:

- if they do not wish to incur the additional cost of Fovista;
- if they perceive an additional injection to administer Fovista as undesirable;
- if they perceive the addition of Fovista to be of limited benefit to patients; or
- if they wish to treat with anti-VEGF drugs as monotherapy first and add Fovista only if and when resistance to continued anti-VEGF therapy limits further enhancement of visual outcome with anti-VEGF monotherapy.

There are also a number of products in preclinical research and clinical development by third parties to treat wet AMD, including product candidates that inhibit the function of platelet derived growth factor, or PDGF, the molecule whose function Fovista also inhibits, product candidates that inhibit the function of both VEGF and PDGF that could obviate the separate use of an anti-PDGF agent, such as Fovista, and anti-VEGF gene therapy products that may substantially reduce the number and frequency of intravitreal injections when treating wet AMD. These companies include pharmaceutical companies, biotechnology companies, and specialty pharmaceutical and generic drug companies of various sizes, such as Regeneron Pharmaceuticals, Inc., which is working in collaboration with Bayer HealthCare, Allergan, Inc., Xcovery Vision LLC, Santen, Neurotech Pharmaceuticals, Inc., Avalanche Biotechnologies, Inc., Somalogic, Inc., and others. In addition, other companies are undertaking efforts to develop technologies to allow for a less frequent dosing schedule for anti-VEGF therapies that are currently in use. If such technologies are successfully developed and approved for use, we may need to conduct additional clinical trials of Fovista using a less frequent dosing schedule than the dosing schedule we are currently using in our ongoing Phase 3 clinical program. Any such trials may not be successful.

Moreover, there are a number of products in preclinical research and clinical development by third parties to treat dry AMD, including product candidates that are designed to suppress inflammation, such as complement system inhibitors and coricosteroids, visual cycle modulators, antioxidants and neuroprotectants, cell and gene therapies and vascular enhancers. These companies include pharmaceutical companies, biotechnology companies, and specialty pharmaceutical and generic drug companies of various sizes. In particular, with respect to complement system inhibition, these companies include Genentech, Novartis's Alcon division, Alexion Pharmaceuticals, Inc. and MophoSys. Moreover, we are aware that the following companies are pursuing the clinical development of ophthalmic product candidates with other mechanisms of action for the treatment of dry AMD: Alimera Sciences, Acucela, Colby Pharmaceuticals, Allergan, Pfizer, GlaxoSmithKline and Macuclear.

See "Business—Competition" in our Annual Report on Form 10-K for 2013, filed with the SEC on March 11, 2014, for more information regarding potential competitive products.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient to use or are less expensive than Fovista, Zimura or other products that we may develop. The commercial opportunity for Fovista also could be reduced or eliminated if our competitors develop and commercialize products that reduce or eliminate the use of anti-VEGF drugs for the treatment of patients with wet AMD. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

In addition, our ability to compete may be affected in many cases by insurers or other third-party payors, particularly Medicare, seeking to encourage the use of less expensive or more convenient products. We expect that if Fovista is approved, the cost of treatment of wet AMD with a combination of Fovista with an anti-VEGF drug will be significantly higher than the cost of treatment of wet AMD with Avastin, Lucentis or Eylea monotherapy. Insurers and other third-party payors may encourage the use of anti-VEGF drugs as monotherapy and discourage the use of Fovista in combination with these drugs. This could limit sales of Fovista.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

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We have no experience manufacturing Fovista or Zimura at commercial scale. As a result, delays in regulatory approval of Fovista or Zimura may occur. Also, manufacturing issues may arise that could cause delays or increase costs.

We have no experience manufacturing the chemically synthesized aptamers comprising the active pharmaceutical ingredients, or API, of Fovista or Zimura at commercial scale. We currently rely on a single third-party manufacturer to supply us with API, also referred to as drug substance, for both Fovista and Zimura and a different, single third-party manufacturer to provide fill-finish services for both Fovista and Zimura. Other than our arrangement with respect to our clinical supply of Fovista API, all of our manufacturing arrangements are on a purchase order basis. In order to obtain regulatory approval for Fovista or Zimura, these third-party manufacturers will be required to consistently produce the API used in Fovista or Zimura in commercial quantities and of specified quality or execute fill-finish services on a repeated basis and document their ability to do so. This is referred to as process validation. If the third-party manufacturers are unable to satisfy this requirement, our business will be materially and adversely affected.

Our third-party manufacturer of API for Fovista and Zimura has made only a limited number of lots of Fovista and Zimura to date and has not made any commercial lots. The manufacturing processes for Fovista and Zimura have never been tested at commercial scale, and the process validation requirement has not yet been satisfied for either product candidate. These manufacturing processes and the facilities of our third-party manufacturers, including our third-party API manufacturer and our third-party manufacturer providing fill-finish services, will be subject to inspection and approval by the FDA before we can commence the manufacture and sale of Fovista or Zimura, and thereafter on an ongoing basis. Our third-party manufacturer for API has never been inspected by the FDA and has not been through the FDA approval process for a commercial product. Our third-party manufacturer providing fill-finish services is subject to FDA inspection from time to time. Failure by our third-party manufacturers to pass such inspections and otherwise satisfactorily complete the FDA approval regimen with respect to our product candidates may result in regulatory actions such as the issuance of FDA Form 483 notices of observations, warning letters or injunctions or the loss of operating licenses. Based on the severity of the regulatory action, our clinical or commercial supply of API or our fill-finish services could be interrupted or limited, which could have a material adverse effect on our business.

The standards of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, which establishes basic guidelines and standards for drug development in the United States, the European Union, Japan and other countries, do not apply to oligonucleotides, including aptamers. As a result, there is no established generally accepted manufacturing or quality standard for the production of Fovista or Zimura. Even though the FDA has reviewed the quality standards for Fovista to be used in our Phase 3 clinical program, the FDA has the ability to modify these standards at any time and foreign regulatory agencies may impose differing quality standards and quality control on the manufacture of Fovista. The lack of uniform manufacturing and quality standards among regulatory agencies may delay regulatory approval of Fovista or Zimura.

Also, as we or any manufacturer we engage scales up manufacturing of any approved product, we may encounter unexpected issues relating to the manufacturing process or the quality, purity and stability of the product, and we may be required to refine or alter our manufacturing processes to address these issues. Resolving these issues could result in significant delays and may result in significantly increased costs. If we experience significant delays or other obstacles in producing any approved product for commercial scale, our ability to market and sell any approved products may be adversely affected and our business could suffer.

If we are unable to establish sales, marketing and distribution capabilities or enter into sales, marketing and distribution agreements with third parties, we may not be successful in commercializing Fovista, Zimura or any other product candidate that we develop if and when Fovista, Zimura or any other product candidate is approved.

We do not have a sales, marketing or distribution infrastructure and have no experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either develop a sales, marketing and distribution organization or outsource those functions to third parties. If Fovista receives marketing approval, we plan to commercialize it in the United States with our own focused, specialty sales force targeting retinal specialists. In addition, we expect to utilize a variety of types of collaboration, distribution and other marketing arrangements with third parties to commercialize Fovista in markets outside the United States.

There are risks involved with establishing our own sales, marketing and distribution capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing and distribution capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our products on our own include:

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- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to adequate numbers of physicians who may prescribe our products;
- the lack of complementary products to be offered by our sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues and our profitability, if any, are likely to be lower than if we were to market, sell and distribute ourselves any products that we develop. In addition, we may not be successful in entering into arrangements with third parties to sell, market and distribute our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

Even if we are able to commercialize Fovista, Zimura or any other product candidate that we develop, the product may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, which would harm our business.

The regulations that govern marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain marketing approval.

Our ability to commercialize Fovista, Zimura or any other product candidate successfully also will depend in part on the extent to which reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A major trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors, particularly Medicare, have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that coverage and reimbursement will be available for Fovista, Zimura or any other product that we commercialize, and, even if these are available, the level of reimbursement may not be satisfactory.

Reimbursement may affect the demand for, or the price of, any product candidate for which we obtain marketing approval. Obtaining and maintaining adequate reimbursement for our products may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician and because, in the case of Fovista, our drug will be administered in combination with other drugs that may carry high prices. In addition, physicians, patients and third-party payors may be sensitive to the addition of the cost of Fovista to the cost of treatment with anti-VEGF drugs. We may be required to conduct expensive pharmacoeconomic studies to justify coverage and reimbursement or the level of reimbursement relative to other therapies, including in the case of Fovista, relative to monotherapy with anti-VEGF drugs. If coverage and adequate reimbursement are not available or reimbursement is available only to limited levels, we may not be able to successfully commercialize Fovista, Zimura or any other product candidate for which we obtain marketing approval.

There may be significant delays in obtaining reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or similar regulatory authorities outside the United States. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by

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government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Our strategy of obtaining rights to complementary products, product candidates or technologies for the treatment of a range of ophthalmic diseases through in-licenses and acquisitions may not be successful.

We may expand our product pipeline through opportunistically in-licensing or acquiring the rights to complementary products, product candidates or technologies for the treatment of ophthalmic diseases. Because we expect generally that we will not engage in early stage research and drug discovery, the future growth of our business will depend in significant part on our ability to in-license or acquire the rights to approved products, additional product candidates or technologies. However, we may be unable to in-license or acquire the rights to any such products, product candidates or technologies from third parties. The in-licensing and acquisition of pharmaceutical products is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire products, product candidates or technologies that we may consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities.

In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to in-license or acquire the rights to the relevant complementary product, product candidate or technology on terms that would allow us to make an appropriate return on our investment. Furthermore, we may be unable to identify suitable products, product candidates or technologies within our area of focus. If we are unable to successfully obtain rights to suitable products, product candidates or technologies, our business, financial condition and prospects for growth could suffer.

Product liability lawsuits against us could divert our resources, cause us to incur substantial liabilities and limit commercialization of any products that we may develop or in-license.

We face an inherent risk of product liability exposure related to the testing of Fovista, Zimura and any other product candidate that we develop in human clinical trials and will face an even greater risk if we commercially sell any products that we develop or in-license. Because our Phase 3 clinical program for Fovista involves the administration of Fovista in combination with anti-VEGF drugs, including off-label use by intravitreal injection of Avastin provided by us, we also face an inherent risk of product liability exposure related to the testing of such anti-VEGF drugs. If we cannot successfully defend ourselves against claims that our product candidates, anti-VEGF drugs administered in combination with our product candidates or our products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop or in-license;
- injury to our reputation and significant negative media attention;

- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- reduced time and attention of our management to pursue our business strategy; and
- the inability to commercialize any products that we may develop or in-license.

We currently hold $10.0 million in product liability insurance coverage in the aggregate, with a per incident limit of $10.0 million, which may not be adequate to cover all liabilities that we may incur. We will need to increase our insurance coverage when and if we begin commercializing Fovista, Zimura or any other product candidate that receives marketing approval. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

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Risks Related to Our Dependence on Third Parties

We may enter into collaborations with third parties for the development or commercialization of Fovista, Zimura and our other product candidates. If those collaborations are not successful, we may not be able to capitalize on the market potential of these product candidates.

If either of Fovista or Zimura receives marketing approval, we plan to commercialize such product candidate in the United States with our own focused, specialty sales force targeting retinal specialists. In addition, we expect to utilize a variety of types of collaboration, distribution and other marketing arrangements with third parties to commercialize Fovista and Zimura in markets outside the United States. We also may seek third-party collaborators for development and commercialization of our other product candidates. Our likely collaborators for any sales, marketing, distribution, development, licensing or broader collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. We are not currently party to any such arrangement. However, if we do enter into any such arrangements with any third parties in the future, we will likely have limited control over the amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities and efforts to successfully perform the functions assigned to them in these arrangements.

Collaborations involving our product candidates would pose numerous risks to us, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations and may not perform their obligations as expected;
- collaborators may deemphasize or not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus, product and product candidate priorities or available funding;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- we could grant exclusive rights to our collaborators, which would prevent us from collaborating with others;
- disagreements or disputes with collaborators, including disagreements or disputes over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of products or product candidates, might lead to additional responsibilities for us with respect to product candidates or might result in litigation or arbitration, any of which would divert management attention and resources, be time-consuming and be expensive;
- collaborators with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;
- collaborators may not properly maintain or defend our intellectual property rights, may infringe the intellectual property rights of third parties, may misappropriate our trade secrets or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator, our breach of the terms of the collaboration or other reasons and, if terminated, we may need to raise additional capital to pursue further development or commercialization of the applicable product candidates.

If a collaborator of ours were to be involved in a business combination, the foregoing risks would be heightened, and the business combination may divert attention or resources or create competing priorities. The collaborator may delay or terminate our product development or commercialization program. If one of our collaborators terminates its agreement with us, we could find it

more difficult to attract new collaborators and the perception of our company in the business and financial communities could be adversely affected.

Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all.

If we are not able to establish collaborations, we may have to alter our development and commercialization plans.

The potential commercialization of Fovista and the development and potential commercialization of Zimura and our other product candidates will require substantial additional cash to fund expenses. For some of our product candidates, we may decide to collaborate with pharmaceutical and biotechnology companies for the development and potential commercialization of those product candidates. For example, we intend to seek to commercialize Fovista through a variety of types of collaboration arrangements outside the United States.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under future license agreements from entering into agreements on certain terms with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

We rely on third parties in conducting our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.

We have relied on third-party clinical research organizations, or CROs, in conducting our completed clinical trials of Fovista and Zimura. We expect to continue to rely on third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators, in conducting our clinical trials for Fovista and Zimura, including the clinical trials in our Phase 3 clinical program for Fovista, and expect to rely on these third parties to conduct clinical trials of any other product candidate that we develop. We or these third parties may terminate their engagements with us at any time for a variety of reasons, including a failure to perform by the third parties. If we need to enter into alternative arrangements, that would delay our product development activities.

Our reliance on these third parties for clinical development activities reduces our control over these activities but does not relieve us of our responsibilities. For example, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, or GCPs, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. We also are required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database within specified timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining,

marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors.

We also rely on other third parties to store and distribute drug supplies for our clinical trials. Any performance failure on the part of our distributors could delay clinical development or marketing approval of our product candidates or commercialization of our products, producing additional losses and depriving us of potential product revenue.

We contract with third parties for the manufacture of both Fovista and Zimura for clinical trials and expect to continue to do so in connection with the commercialization of Fovista and for clinical trials and commercialization of any other product candidates that we develop. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of Fovista or Zimura and have limited personnel with manufacturing experience. We currently rely on and expect to continue to rely on third-party contract manufacturers to manufacture clinical and commercial supplies of Fovista and Zimura, preclinical and clinical supplies of other product candidates we may develop and commercial supplies of products if and when approved for marketing by applicable regulatory authorities. Our current and anticipated future dependence upon others for the manufacture of Fovista, Zimura and any other product candidate or product that we develop may adversely affect our future profit margins and our ability

to commercialize any products that receive marketing approval on a timely and competitive basis. In addition, any performance failure on the part of our existing or future manufacturers could delay clinical development or marketing approval.

We currently rely exclusively on a single third-party manufacturer to provide clinical supplies of both Fovista drug substance and Zimura drug substance. We also engage a single third-party manufacturer to provide fill-finish services for clinical supplies of both Fovista and Zimura. Other than our arrangement with respect to our clinical supply of Fovista drug substance, we obtain these supplies and services from each of these manufacturers on a purchase order basis. We do not currently have any contractual commitments for commercial supply of bulk drug substance for either Fovista or Zimura or for fill-finish services. We also do not currently have arrangements in place for redundant supply or a second source for bulk drug substance for Fovista or Zimura or for fill-finish services. The prices at which we are able to obtain supplies of drug substance for Fovista or Zimura and fill-finish services may vary substantially over time and adversely affect our financial results. Furthermore, we currently rely on sole-source suppliers of certain raw materials and other specialized components of production used in the manufacture and fill-finish of each of Fovista and Zimura.

We currently rely exclusively on Nektar to supply us with a proprietary polyethylene glycol, or PEG, reagent for Fovista under a manufacturing and supply agreement. PEG reagent is a chemical we use to modify the chemically synthesized aptamer in Fovista. The PEG reagent made by Nektar is proprietary to Nektar and, to our knowledge, is not currently available from any other third party.

We obtain a different proprietary PEG reagent used to modify the chemically synthesized aptamer in Zimura from a different supplier on a purchase order basis. We do not currently have any contractual commitments for supply of the PEG reagent we use for Zimura.

If our third-party manufacturers for Fovista drug substance, Zimura drug substance or the PEG reagent we use for Zimura fail to fulfill our purchase orders, if Nektar breaches its obligations to us under our supply agreement, or if any of these manufacturers should become unavailable to us for any reason, we believe that there are a limited number of potential replacement manufacturers, and we likely would incur added costs and delays in identifying or qualifying such replacements. We could also incur additional costs and delays in identifying or qualifying a replacement manufacturer for fill-finish services for Fovista or Zimura if our existing third-party fill-finish provider should become unavailable for any reason. We may be unable to establish any agreements with such replacement manufacturers or fill-finish providers or to do so on acceptable terms.

Under the supply agreement with Nektar, we must purchase our entire requirements for PEG reagent for Fovista exclusively from Nektar at an agreed price. In the event Nektar breaches its supply obligations as specified in the agreement, Nektar has agreed to enable a third-party manufacturer, if one is available, to supply us with PEG reagent until Nektar demonstrates that Nektar has the ability to supply all of our requirements for PEG reagent. The agreement of Nektar to enable a third-party manufacturer may be difficult to enforce in the context of a breach by Nektar of its supply obligations. We may not be able to reach an agreement with any third-party manufacturer to take on the supply of PEG reagent under such circumstances because, to our knowledge, no third party currently manufactures the PEG reagent we currently use in making the Fovista drug substance. Furthermore, the third party's right to supply us with PEG reagent would be subject to termination at any time once Nektar demonstrates that Nektar has the ability to supply

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all of our requirements for PEG reagent, which may limit the interest of potential third-party manufacturers in undertaking such an engagement. In addition, the process of transferring any necessary technology or process to a third-party manufacturer would entail significant delay in or disruption to the supply of PEG reagent and, as a result, a significant delay in or disruption to the manufacture of Fovista. Furthermore, the FDA or other regulatory authorities might require additional studies to demonstrate equivalence between the Fovista drug substance made using the Nektar PEG reagent and the Fovista drug substance made using any replacement PEG reagent we propose to use or between the Nektar PEG reagent itself and any replacement PEG reagent we propose to use to make Fovista. We ultimately may be unable to demonstrate such equivalence.

Reliance on third-party manufacturers entails additional risks, including:

- Fovista, Zimura and any other product that we develop may compete with other product candidates and products for access to a limited number of suitable manufacturing facilities that operate under current good manufacturing practices, or cGMP, regulations;
- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how; and
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us.

Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products and harm our business and results of operations.

We depend on licenses and sublicenses for development and commercialization rights to our products, product candidates and technologies. Termination of these rights or the failure to comply with obligations under these or other agreements under which we obtain such rights could materially harm our business and prevent us from developing or commercializing our products and product candidates.

We are party to various agreements, including an acquisition agreement with OSI Pharmaceuticals and license agreements with Archemix and Nektar that we depend on for rights to Fovista, Zimura and other product candidates and technology. These agreements impose, and we may enter into additional licensing arrangements or other agreements with third parties that may impose, diligence, development and commercialization timelines, milestone payment, royalty, insurance and other obligations on us. Under our acquisition agreement with OSI Pharmaceuticals and our licensing agreement with Nektar, we are obligated to pay royalties on net product sales of Fovista or other product candidates or related technologies to the extent they are covered by the agreement. Under our license agreements with Archemix and Nektar, we would not be able to avoid our payment obligations even if we believed a licensed patent right

was invalid or unenforceable because the license agreements provide that our licenses to all licensed patent rights would terminate if we challenge the validity or enforceability of any licensed patent right.

We also have diligence and development obligations under our acquisition agreement with OSI Pharmaceuticals and our license agreements with Archemix and Nektar. Generally, these diligence obligations require us to use commercially reasonable efforts to develop, seek regulatory approval for and commercialize our products in the United States, the European Union and, in some cases, certain other specified countries. If we fail to comply with our obligations under current or future acquisition, license and funding agreements, or otherwise breach an acquisition, license or funding agreement, our counterparties may have the right to terminate these agreements, in which event we might not have the rights or the financial resources to develop, manufacture or market any product that is covered by these agreements. Our counterparties also may have the right to convert an exclusive license to non-exclusive in the territory in which we fail to satisfy our diligence obligations, which could materially adversely affect the value of the product candidate being developed under any such agreement. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements with less favorable terms, seek alternative sources of financing or cause us to lose our rights under these agreements, including our rights to Fovista, Zimura and other important intellectual property or technology. Any of the foregoing could prevent us from commercializing Fovista, Zimura or our other product candidates, which could have a material adverse effect on our operating results and overall financial condition.

In addition to the generally applicable diligence obligations set forth above, we have specific obligations with respect to the licensing agreements described below:

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- Under the terms of the agreement with OSI Pharmaceuticals under which we acquired certain rights to develop and commercialize Fovista, if we fail to meet our diligence obligations, OSI Pharmaceuticals may terminate the agreement as to such countries with respect to which such failure has occurred, and upon such termination we will be obligated to grant, assign and transfer to OSI Pharmaceuticals specified rights and licenses related to our anti-PDGF aptamer technology and other related assets, and if we are manufacturing such anti-PDGF products at the time of such termination, may be obligated to provide transitional supply to OSI Pharmaceuticals of covered anti-PDGF products, for such countries.

- Under the terms of the amended license, manufacturing and supply agreement with Nektar, pursuant to which we obtained, among other licenses, an exclusive, worldwide license to make, develop, use, import, offer for sale and sell certain products that incorporate a specified PEG reagent linked with the active ingredient in Fovista, if we fail to use commercially reasonable efforts to achieve the first commercial sale of Fovista in the United States or one of a specified group of other countries by December 31, 2017, which date Nektar and we may agree in good faith to extend in specified circumstances, Nektar may either terminate our license or convert our license for such country to a non-exclusive license. In addition, if we fail to use commercially reasonable efforts to develop Fovista and file and seek approval of NDAs on a schedule permitting us to make first commercial sales of Fovista in specified countries by December 31, 2017, do not make such first commercial sales of Fovista by such date, or thereafter fail to use commercially reasonable efforts to continue to commercialize and market Fovista in such countries, we will be in material breach of the agreement and Nektar will have the right to terminate the agreement.

In addition to the above risks, certain of our intellectual property rights are sublicenses under intellectual property owned by third parties, in some cases through multiple tiers. The actions of our licensors may therefore affect our rights to use our sublicensed intellectual property, even if we are in compliance with all of the obligations under our license agreements. For example, the licenses from Archemix include sublicenses to us of rights to specified technology, which we refer to as the SELEX technology, licensed by University License Equity Holdings, Inc. to Gilead Sciences, Inc., or Gilead, and sublicensed by Gilead to Archemix, as well as other technology owned by Gilead and licensed to Archemix. In addition, the licenses we have obtained from Nektar include sublicenses of certain rights. Should our licensors or any of the upstream licensors fail to comply with their obligations under the agreements pursuant to which they obtain the rights that are sublicensed to us, or should such agreements be terminated or amended, our ability to develop and commercialize Fovista, Zimura and other product candidates may be materially harmed. While the applicable agreements may contain contractual provisions that would in many instances protect our rights as a sublicensee in these circumstances, these provisions may not be enforceable and may not protect our rights in all instances. Further, we do not have the right to control the prosecution, maintenance and enforcement of all of our licensed and sublicensed intellectual property, and even when we do have such rights, we may require the cooperation of our licensors and their upstream licensors, which may not be forthcoming. Our business could be materially adversely affected if we are unable to prosecute, maintain and enforce our licensed and sublicensed intellectual property effectively.

Risks Related to Our Intellectual Property

The patent prosecution process is expensive and time-consuming, is highly uncertain and involves complex legal and factual questions. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

Our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to our proprietary technology and products. We seek to protect our proprietary position by filing in the United States and in certain foreign jurisdictions patent applications related to our novel technologies and product candidates that are important to our business.

The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. In addition, we may not pursue or obtain patent protection in all major markets. Moreover, in some circumstances, we do not have the right to control the preparation, filing or prosecution of patent applications, or to maintain the patents, covering technology that we license from third parties. In some circumstances, our licensors have the right to enforce the licensed patents without our involvement or consent, or to decide not to enforce or to allow us to enforce the licensed patents. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. If any such licensors fail to maintain such patents, or lose rights to those patents, the rights that we have licensed may be reduced or eliminated and our right to develop and commercialize any of our products that are the subject of such licensed rights could be adversely affected.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. In addition, the laws of foreign jurisdictions may not protect our rights to the same extent as the laws of the United States. For example, European patent law restricts the patentability of methods of treatment of the human body more than United States law does. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we or our licensors were the first to make the inventions claimed in our owned or licensed patents or pending patent applications, or that we or our licensors were the first to file for patent protection of such inventions. Moreover, the United States Patent and Trademark Office might require that the term of a patent issuing from a pending patent application be disclaimed and limited to the term of another patent that is commonly owned or names a common inventor. As a result, the issuance, scope, validity, term, enforceability and commercial value of our patent rights are highly uncertain.

Our pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. In particular, during prosecution of any patent application, the issuance of any patents based on the application may depend upon our ability to generate additional preclinical or clinical data that support the patentability of our proposed claims. We may not be able to generate sufficient additional data on a timely basis, or at all. Moreover, changes in either the patent laws or interpretation of the patent laws in the United States or other countries may diminish the value of our patents or narrow the scope of our patent protection.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted, redefine prior art, may affect patent litigation and switch the U.S. patent system from a “first-to-invent” system to a “first-to-file” system. Under a first-to-file system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to the patent on an invention regardless of whether another inventor had made the invention earlier. The U.S. Patent and Trademark Office recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first-to-file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Moreover, we may be subject to a third-party preissuance submission of prior art to the U.S. Patent and Trademark Office, or become involved in opposition, derivation, reexamination, *inter partes* review, post-grant review, interference proceedings or other patent office proceedings or litigation, in the United States or elsewhere, challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights; allow third parties to commercialize our technology or products and compete directly with us, without payment to us; or result in our inability to manufacture or commercialize products without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

If we are unable to obtain and maintain patent protection for our technology and products during the period of their commercialization, or if the scope of the patent protection is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be adversely affected.

The last to expire of the U.S. patent rights covering the composition of matter of Fovista is expected to expire in 2017. Such expiration date is not long after the date by which we expect Fovista to be commercialized in the United States if we obtain marketing approval and may even be prior to such date. We own an issued U.S. patent covering methods of treating wet AMD with Fovista in combination with Avastin or Lucentis, which is expected to expire in 2024. The Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, permits a patent restoration term of up to five years as partial compensation for patent term effectively lost during product development and the FDA regulatory review process occurring after the issuance of a patent. We may be able to obtain a patent term extension for one of these U.S. patents. However, we may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or restoration or the term or scope of any such extension is less than we request, any period during which we have the right to exclusively market our product will be shorter than we would otherwise expect,

and our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially.

The European patent rights covering the composition of matter of Fovista are expected to expire in 2018. Such expiration date is shortly after the date by which we expect Fovista to be commercialized in Europe, and may even be prior to such date. We own a granted European patent covering a combination of Fovista and Lucentis or Avastin for use in a method for treating wet AMD. This European patent is expected to expire in 2024.

We also have filed in the United States patent applications covering a method of treating wet AMD in patients with Fovista in combination with Eylea and in Europe and Japan a patent application covering a combination of Fovista and Eylea for use in a method for treating wet AMD. These patent applications are in the early stages of prosecution and may not result in patents being issued which protect the use of Fovista in combination with Eylea for treating wet AMD or effectively prevent others from commercializing competitive technologies and products. If a patent is granted following prosecution of any such application, that patent would be expected to expire in 2030.

Method-of-treatment patents are more difficult to enforce than composition-of-matter patents because of the risk of off-label sale or use of a drug for the patented method. The FDA does not prohibit physicians from prescribing an approved product for uses that are not described in the product’s labeling. Although use of a product directed by off-label prescriptions may infringe our method-of-treatment patents, the practice is common across medical specialties, particularly in the United States, and such infringement is difficult to detect, prevent or prosecute. Off-label sales of other products having the same active pharmaceutical ingredient as Fovista, Zimura or any of our other product candidates would limit our ability to generate revenue from the sale of

Fovista, Zimura or such other product candidates, if approved for commercial sale. In addition, European patent law generally makes the issuance and enforcement of patents that cover methods of treatment of the human body difficult. Further, once the composition-of-matter patents relating to Fovista, Zimura or any other product candidate in a particular jurisdiction, if any, expire, competitors will be able to make, offer and sell products containing the same active pharmaceutical ingredient as Fovista, Zimura or such other product candidate in that jurisdiction so long as these competitors do not infringe any other of our patents covering Fovista's or Zimura's composition of matter or method of use or manufacture, do not violate the terms of any marketing or data exclusivity that may be granted to us by regulatory authorities and obtain any necessary marketing approvals from applicable regulatory authorities. In such circumstances, we also may not be able to detect, prevent or prosecute off-label use of such competitors' products containing the same active pharmaceutical ingredient as Fovista or Zimura in combination with any anti-VEGF drug, even if such use infringes any of our method-of-treatment patents.

The Hatch-Waxman act also permits the manufacture, use, offer for sale, sale or importation of a patented invention other than a new animal drug or veterinary biological product, if the manufacture, use, offer for sale, sale or importation is solely for uses that are reasonably related to development of information that could be submitted to the FDA. For this reason, our competitors might be able under certain circumstances to perform activities within the scope of the U.S. patents that we own or under which we are licensed without infringing such patents. This might enable our competitors to develop during the lifetime of these patents drugs that compete with Fovista or Zimura, if approved.

The U.S. patent rights covering Zimura as a composition of matter are expected to expire in 2025. Such expiration date may be prior to the date by which we would be able to commercialize Zimura in the United States if we seek and obtain marketing approval. The U.S. patent rights covering methods of treating certain complement protein mediated disorders with Zimura are expected to expire in 2026. As a result, if we obtain marketing approval for Zimura, we may not be able to exclude competitors from commercializing products similar or identical to ours if such competitors do not use or promote our claimed methods of treatment or do use or promote our methods of treatment after our patents expire. Depending on potential delays in the regulatory review process for Zimura, we may be able to obtain a patent term extension for one of these patents in the United States, but we can provide no assurances that such an extension will be obtained.

Our issued patents may not be sufficient to provide us with a competitive advantage. For example, competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. Even if our owned or licensed patent applications issue as patents, they may not issue with a scope broad enough to provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. We could also fail to take the required actions and pay the necessary governmental fees to maintain our patents.

The issuance of a patent is not conclusive as to its inventorship, ownership, scope, term, validity or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in the United States and abroad. For example, if we receive marketing approval for our product candidates, other pharmaceutical companies may seek approval of generic versions of our products with the FDA or regulatory authorities in other jurisdictions. We may then be required to initiate proceedings against such companies in an attempt to prevent them from launching such generic versions. The risk of being involved in such proceedings is

likely to increase if our products are commercially successful. In any such proceedings, the inventorship, ownership, scope, term, validity and enforceability of our patents may be challenged. These and other challenges may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to prevent others from using or commercializing similar or identical technology and products or from launching generic versions of our products, or could limit the duration of the patent protection of our technology and products. The launch of a generic version of one of our products in particular would be likely to result in an immediate and substantial reduction in the demand for our product, which could have a material adverse effect on our business. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe or otherwise violate our patents, trademarks, copyrights or other intellectual property. To counter infringement or other violations, we may be required to file claims, which can be expensive and time consuming. Any such claims could provoke these parties to assert counterclaims against us, including claims alleging that we infringe their patents or other intellectual property rights. In addition, in a patent infringement proceeding, a court may decide that one or more of the patents we assert is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly or refuse to prevent the other party from using the technology at issue on the grounds that our patents do not cover the technology. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In such a case, we could ultimately be forced to cease use of such marks. In any intellectual property litigation, even if we are successful, any award of monetary damages or other remedy we receive may not be commercially valuable. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Third parties may initiate legal proceedings alleging that we are infringing or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability and the ability of our collaborators to develop, manufacture, market and sell our product candidates and products and use our proprietary technologies without infringing or otherwise violating the intellectual property and other proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology, including interference, derivation, re-examination, post-grant review, opposition, cancellation or similar proceedings before the U.S. Patent and Trademark Office or its foreign counterparts. The risks of being involved in such litigation and proceedings may also increase as our product candidates near commercialization and as we gain the greater visibility associated with being a public company. Third parties may assert infringement claims against us based on existing or future intellectual property rights. We may not be aware of all such intellectual property rights potentially relating to our product candidates and their uses. Thus, we do not know with certainty that Fovista, Zimura or any other product candidate, or our intended commercialization thereof, does not and will not infringe or otherwise violate any third party's intellectual property.

If we are found to infringe or otherwise violate a third party's intellectual property rights, we could be required to obtain a license from such third party to continue developing and marketing our products and technology or to continue using a trademark. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us and could require us to make substantial licensing and royalty payments. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could expose us to similar liabilities and have a similar negative impact on our business.

We may be subject to claims by third parties asserting that we or our employees have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees and contractors were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees or

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contractors have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's or contractor's former employer. Litigation may be necessary to defend against these claims.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Moreover, because we acquired rights to Fovista from Eyetech, Archemix and Nektar, we must rely on these parties' practices, and those of their predecessors, with regard to the assignment of intellectual property therein. Our and their assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Intellectual property litigation could cause us to spend substantial resources and could distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to seeking patents for some of our technology and products, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. We cannot guarantee that we have executed such agreements with each party that may have or have had access to our trade secrets. Moreover, because we acquired certain rights to Fovista from Eyetech, Archemix and Nektar, we must rely on these parties' practices, and those of their predecessors, with regard to the protection of Fovista-related trade secrets before we acquired them. Any party with whom we or they have executed a non-disclosure and confidentiality agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Our proprietary information may also be obtained by third parties by other means, such as breaches of our physical or computer security systems.

Detecting the disclosure or misappropriation of a trade secret and enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

Risks Related to Regulatory Approval and Other Legal Compliance Matters

If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we will not be able to commercialize Fovista, Zimura or any other product candidate that we develop, and our ability to generate revenue will be materially impaired.

Our product candidates, including Fovista and Zimura, and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries.

Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. We have not received approval to market Fovista, Zimura or any other product candidate from regulatory authorities in any jurisdiction. We have only limited experience in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third-party CROs to assist us in this process. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA or other regulatory authorities may determine that Fovista, Zimura or any other product candidate that we develop is not effective, is only moderately effective or has undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use. The FDA or other regulatory authority may limit the approval of Fovista to use with only specified anti-VEGF drugs rather than with all anti-VEGF drugs. Such limitation could limit sales of Fovista.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive, may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

Marketing approval of novel product candidates such as Fovista and Zimura manufactured using novel manufacturing processes can be more expensive and take longer than for other, more well-known or extensively studied pharmaceutical or biopharmaceutical products, due to regulatory agencies' lack of experience with them. We believe that the FDA has only granted marketing approval for one aptamer product to date. This lack of experience may lengthen the regulatory review process, require us to conduct additional studies or clinical trials, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of these product candidates or lead to significant post-approval limitations or restrictions.

If we experience delays in obtaining approval or if we fail to obtain approval of Fovista, Zimura or any other product candidate that we develop, the commercial prospects for such product candidate may be harmed and our ability to generate revenues will be materially impaired.

A fast track designation or grant of priority review status by the FDA may not actually lead to a faster development or regulatory review or approval process.

In the United States, our lead product candidate, Fovista, received fast track designation and may be eligible for priority review status. If a drug is intended for the treatment of a serious or life-threatening disease or condition and the drug demonstrates the potential to address unmet medical needs for this disease or condition, the drug sponsor may apply for FDA fast track designation. If a drug offers major advances in treatment, the drug sponsor may apply for FDA priority review status. The FDA has broad discretion whether or not to grant fast track designation or priority review status, so even if we believe a particular product candidate is eligible for such designation or status, the FDA could decide not to grant it. Even though Fovista has received fast track designation for the treatment of wet AMD and may be eligible for priority review status, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

Failure to obtain marketing approval in international jurisdictions would prevent our product candidates from being marketed abroad.

In order to market and sell Fovista, Zimura and any other product candidate that we develop in the European Union and many other jurisdictions, we or our third-party collaborators must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, it is required that the product be approved for reimbursement before the product can be approved for sale in that country. We or these third parties may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or

by the FDA. We may not be able to file for marketing approvals and may not receive necessary approvals to commercialize our products in any market.

Any product candidate, including Fovista and Zimura, for which we obtain marketing approval could be subject to post-marketing restrictions or withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products, when and if any of them are approved.

Any product candidate, including Fovista and Zimura, for which we obtain marketing approval, along with the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, cGMP requirements relating to manufacturing, quality control, quality assurance, complaints and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or may be subject to significant conditions of approval.

The FDA may also impose requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product, including the adoption and implementation of risk evaluation and mitigation strategies. The FDA closely regulates the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling and regulatory requirements. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use and if we do not restrict the marketing of our products only to their approved indications, we may be subject to enforcement action for off-label marketing. Violations of the Federal Food, Drug, and Cosmetic Act relating to the promotion of prescription drugs may lead to investigations alleging violations of federal and state healthcare fraud and abuse laws, as well as state consumer protection laws.

In addition, later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions and warnings in the labeling and marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing clinical trials;
- warning or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

Non-compliance with European Union requirements regarding safety monitoring or pharmacovigilance can also result in significant financial penalties. Similarly, failure to comply with the European Union's requirements regarding the protection of personal information can lead to significant penalties and sanctions.

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Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors play a primary role in the recommendation and prescription of any product candidates, including Fovista, for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute any products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the federal Anti-Kickback Statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- the federal False Claims Act imposes criminal and civil penalties, including civil whistleblower or *qui tam* actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;

- the federal transparency requirements under the Health Care Reform Law and analogous state laws require manufacturers of drugs, devices, biologics and medical supplies to report information related to payments and other transfers of value to physicians and teaching hospitals and physician ownership and investment interests; and

- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion of products from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

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Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of Fovista, Zimura or any other product candidate that we develop, restrict or regulate post-approval activities and affect our ability to generate revenue from, sell profitably or commercialize any product candidates, including Fovista and Zimura, for which we obtain marketing approval or products that we may develop or in-license. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or MMA, changed the way Medicare covers and pays for pharmaceutical products and could decrease the coverage and price that we receive for any approved products. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively PPACA. Among the provisions of PPACA of importance to our potential products are the following:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents;

- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;

- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;

- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices;

- extension of manufacturers' Medicaid rebate liability;

- expansion of eligibility criteria for Medicaid programs;

- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;

- new requirements to report financial arrangements with physicians and teaching hospitals;

- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and

- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

In addition, other legislative changes have been proposed and adopted since PPACA was enacted. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, or in-licensed products, if any, may be.

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Governments outside the United States tend to impose strict price controls, which may adversely affect our revenues, if any.

The pricing of prescription pharmaceuticals is also subject to governmental control outside of the United States. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be harmed, possibly materially.

If we or our third-party manufacturers fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.

We and our third-party manufacturers are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. From time to time and in the future, our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and produce hazardous waste products. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Further, with respect to the operations of our third-party contract manufacturers, it is possible that if they fail to operate in compliance with applicable environmental, health and safety laws and regulations or properly dispose of wastes associated with our products, we could be held liable for any resulting damages, suffer reputational harm or experience a disruption in the manufacture and supply of our product candidates or products.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on David R. Guyer, M.D., our Chief Executive Officer, Samir Patel, M.D., our President, and Bruce Peacock, our Chief Financial and Business Officer, as well as the other principal members of our management, scientific and clinical teams. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain marketing approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms, if at all, given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

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We are rapidly expanding our development, regulatory and sales, marketing and distribution capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We are currently experiencing significant and rapid growth in the number of our employees and the scope of our operations, particularly in the area of clinical development. Between January 1, 2013 and March 31, 2014, we hired more than half of our 39 employees. We also expect to continue to hire additional employees and expand the scope of our operations in the area of clinical development and, as we approach potential marketing approval for any of our product candidates, in the area of sales, marketing and distribution. To manage our growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the inherent challenges associated with managing such rapid growth, we may not be able to manage effectively the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Risks Related to Our Common Stock

Our executive officers, directors and principal stockholders maintain the ability to control all matters submitted to stockholders for approval.

As of March 31, 2014, our executive officers, directors and principal stockholders and their affiliates, in the aggregate, beneficially owned shares representing approximately 66.5% of our capital stock. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

A significant portion of our total outstanding shares may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

A significant portion of our total outstanding shares may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well. Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of March 31, 2014, we had outstanding 33,324,766 shares of common stock. Of these shares, approximately 22,658,000 shares are restricted securities under Rule 144 under the Securities Act. Any of our remaining shares that are not restricted securities under Rule 144 under the Securities Act, including, for example, shares sold in our initial public offering or our follow-on public offering, may be resold in the public market without restriction unless purchased by our affiliates. Additionally, approximately 21,313,000 shares, almost all of which are restricted securities under Rule 144, were subject to lock-up agreements entered into in connection with our recent follow-on public offering but are now able to be sold following the expiration of the lock-up agreements on May 12, 2014. Moreover, holders of an aggregate of approximately 21,216,000 shares of our common stock, including shares issuable pursuant to outstanding warrants, have rights, subject to specified conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders, subject to waiver or expiration of the applicable lock-up agreements. In October 2013 and January 2014, we filed registration statements registering all shares of common stock that we may issue under our equity compensation plans. As of March 31, 2014, we had outstanding options to purchase an aggregate of approximately 3,726,000 shares of our common stock, of which options to purchase approximately 1,071,000 shares were vested. These shares can be freely sold in the public market upon issuance, subject to volume, notice and manner of sale limitations applicable to affiliates and the applicable lock-up agreements entered into in connection with our public offerings.

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

Provisions in our certificate of incorporation and our by-laws may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- provide for a classified board of directors such that only one of three classes of directors is elected each year;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board of directors;
- provide for advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our certificate of incorporation or by-laws.

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Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

An active trading market for our common stock may not be sustained.

Our shares of common stock began trading on The NASDAQ Global Select Market on September 25, 2013. Given the limited trading history of our common stock, there is a risk that an active trading market for our shares will not be sustained, which could put downward pressure on the market price of our common stock and thereby affect the ability of our stockholders to sell their shares.

The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for stockholders.

Our stock price may be volatile. The stock market in general and the market for smaller pharmaceutical and biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, our

stockholders may not be able to sell their shares of common stock at or above the price at which they purchased their shares. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products or technologies;
- results of clinical trials of Fovista, Zimura and any other product candidate that we develop;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to in-license or acquire the rights to other products, product candidates and technologies for the treatment of ophthalmic diseases, the costs of commercializing any such products and the costs of development of any such product candidates or technologies;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this “Risk Factors” section.

In the past, following periods of volatility in the market price of a company’s securities, securities class-action litigation has often been instituted against that company. We also may face securities class-action litigation if we cannot obtain regulatory approvals for or if we otherwise fail to commercialize Fovista. Such litigation, if instituted against us, could cause us to incur substantial costs to defend such claims and divert management’s attention and resources, which could seriously harm our business.

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We are an “emerging growth company,” and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company for up to five years. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; 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 have taken advantage of reduced reporting burdens in this Quarterly Report on Form 10-Q. We expect to continue, in our public reporting, to take advantage of some or all of the reporting exemptions available to emerging growth companies. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, the JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to delay such adoption of new or revised accounting standards, and, as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for public companies that are not emerging growth companies. As a result of such election, our financial statements may not be comparable to the financial statements of other public companies.

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We incur increased costs as a result of operating as a public company, and our management is now required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, and particularly after we are no longer an "emerging growth company," we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The NASDAQ Global Select Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly.

For as long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies as described in the preceding risk factor. We may remain an emerging growth company until the end of the 2018 fiscal year, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time or if we have annual gross revenues of $1 billion or more in any fiscal year, we would cease to be an emerging growth company as of December 31 of the applicable year. We also would cease to be an emerging growth company if we issue more than $1 billion of non-convertible debt over a three-year period.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we will be required to furnish a report by our management on our internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe, or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be our stockholders' sole source of gain.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain for the foreseeable future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

We did not sell any unregistered equity securities during the period covered by this Quarterly Report on Form 10-Q

Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Use of Proceeds from Registered Securities

On September 30, 2013, we closed our initial public offering of 8,740,000 shares of our common stock, including 1,140,000 shares of our common stock pursuant to the exercise by the underwriters of an over-allotment option, at a public offering price of $22.00 per share for an aggregate offering price of approximately $192.3 million. The offer and sale of all of the shares in our initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-190643), which was declared effective by the SEC on September 24, 2013.

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We received aggregate net proceeds from our initial public offering of $175.6 million, after deducting underwriting discounts and commissions and other offering expenses payable by us.

As of March 31, 2014, we have used approximately $8.3 million of the net proceeds from initial public offering as follows:

- approximately $6.0 million to fund certain costs of our Phase 3 clinical program for Fovista administered in combination with anti-VEGF drugs for the treatment of wet AMD, which costs consists of external research and development expenses and clinical development related employee expenses; and

- approximately $2.3 million for working capital and other general corporate purposes.

We have not used any of the net proceeds from our initial public offering to make payments, directly or indirectly, to any director or officer of ours, or any of their associates, to any person owning 10% or more of our common stock or to any affiliate of ours. We have invested the remaining net proceeds from initial public offering in a variety of capital preservation investments, including short-term, investment grade, interest bearing instruments and U.S. government securities. There has been no material change in our planned use of the net proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act.

Item 5. Other Information.

On April 18, 2014, we entered into a third amendment of lease with One Penn Plaza LLC, as landlord, amending our Lease Agreement, dated as of September 30, 2007, between the Company and One Penn Plaza LLC, as previously supplemented and amended. The lease amendment provides for an expansion of the office space to be made available to us under our lease at One Penn Plaza, New York, NY, by approximately 3,177 square feet, bringing the total office space available under the lease to approximately 10,100 square feet. We intend to use the expanded office space for corporate and commercial functions. The expanded office space will be available to us following the completion of construction being performed by the landlord. The lease expires in 2020, and is subject to an early termination right, which, if exercised, would trigger a termination payment by us of approximately $539,000. We have agreed to pay aggregate rental fees of approximately $4.6 million over the term of the lease, approximately $1.1 million of which is attributable to the expansion provided for under the recent lease amendment. We are also liable for taxes, operating expenses and utility and other charges related to the leased premises. We have provided the landlord with a letter of credit in an amount of approximately $138,000 to secure our obligations under the lease. A copy of the lease, as amended through the date of this Quarterly Report on Form 10-Q, is filed as an Exhibit to this report.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

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SIGNATURES

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

OPHTHOTECH CORPORATION

Date: May 13, 2014

By: /s/ Bruce A. Peacock
Bruce A. Peacock
Chief Financial and Business Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.1	Lease Agreement, dated as of September 30, 2007, between the Registrant and One Penn Plaza LLC, as the same has been supplemented by agreement dated March 12, 2013, and amended by the Amendment of Lease, dated as of August 30, 2013, the Second Amendment of Lease, dated as of January 7, 2014 and the Third Amendment of Lease, dated as of April 18, 2014
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Database*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheet at December 31, 2013 and March 31, 2014 (unaudited), (ii) Statement of Operations (unaudited) for the three month period ended March 31, 2014 and 2013 and for the period from inception (January 5, 2007) through March 31, 2014, (iii) Statement of Cash Flows (unaudited) for the three month period ended March 31, 2014 and 2013 and for the period from inception (January 5, 2007) through March 31, 2014 and (iv) Notes to Financial Statements (unaudited).

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Exhibit 10.1

LEASE

between

ONE PENN PLAZA LLC,

Landlord,

and

OPHTHOTECH CORPORATION,

Tenant.

One Penn Plaza

New York, New York 10119

as of September 30, 2007

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DEFINED TERMS

THIS LEASE, dated as of the 30th day of September, 2007, by and between ONE PENN PLAZA LLC, a New York limited liability company, having an address c/o Vornado Office Management LLC, 888 Seventh Avenue, New York, New York 10019, as landlord, and OPHTHOTECH CORPORATION, a Delaware corporation, having an address at One Penn Plaza (Suite 3508), New York, New York 10119, as tenant (the Person that holds the interest of the landlord hereunder at any particular time being referred to herein as “Landlord”; subject to Section 17.1(D) hereof, the Person that holds the interest of the tenant hereunder at any particular time being referred to herein as “Tenant”).

W I T N E S S E T H:

WHEREAS, Landlord wishes to demise and let unto Tenant, and Tenant wishes to hire and take from Landlord, on the terms and subject to the conditions set forth herein, the premises as shown on Exhibit “A” attached hereto and made a part hereof on the thirty-fifth (35th) floor (Suite 3508) of the building that is known by the street address of One Penn Plaza, New York, New York 10119 (such premises being referred to herein as the “Premises”; such building being referred to herein as the “Building”; the Building, together with the plot of land on which the Building is constructed, being collectively referred to herein as the “Real Property”).

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration, the mutual receipt and legal sufficiency of which the parties hereto hereby acknowledge, Landlord and Tenant hereby agree as follows:

Article 1
DEMISE, TERM, FIXED RENT

1.1. Demise.

Subject to the terms hereof, Landlord hereby demises and lets to Tenant and Tenant hereby hires and takes from Landlord the Premises for the term to commence on the Commencement Date and to end on the last day of the calendar month during which occurs the day immediately preceding the date that is five (5) years after the Commencement Date (the “Fixed Expiration Date”; the Fixed Expiration Date, or such earlier date that the term of this Lease terminates pursuant to the terms hereof or pursuant to law, being referred to herein as the “Expiration Date”; the term commencing on the Commencement Date and ending on the Expiration Date being referred to herein as the “Term”).

1.2. Commencement Date.

(A) The term of this Lease shall commence on the date Landlord delivers a fully executed counterpart of this Lease to Tenant or Tenant’s attorney (the “Commencement Date”). Subject to the terms of Section 1.2(B) hereof, Landlord shall deliver to Tenant vacant and exclusive possession of the Premises on the Commencement Date.

(B) If a Person remains in occupancy of the Premises (or any portion thereof) on the Commencement Date, then Landlord, at Landlord’s expense, shall use reasonable diligence to remove such Person from the Premises as promptly as reasonably practicable thereafter. If Landlord is unable to give possession of the Premises on the Commencement Date, then the Rent Commencement Date shall be adjourned for the number of days in the period beginning on the Commencement Date and ending on the day immediately preceding the date that Landlord delivers possession of the Premises to Tenant. Landlord shall have no liability to Tenant (except as otherwise set forth in this Section 1.2(B) and in Section 1.3), and Tenant shall have no right to terminate or rescind this Lease or reduce the Fixed Rent, the Tax Payment, or additional rent payable by Tenant to Landlord hereunder (collectively, the “Rental”) from and after the Rent Commencement Date, in each case deriving from Landlord’s failure to deliver vacant and exclusive possession of the Premises to Tenant on the Commencement Date. Landlord and Tenant intend that this Section 1.2(B) constitutes an “express provision to the contrary” for purposes of Section 223-a of the New York Real Property Law.

1.3. Rent Commencement Date.

The term "Rent Commencement Date" shall mean the sixtieth (60th) day after the Commencement Date.

1.4. Fixed Rent.

(A) Subject to Section 1.5(f) hereof, the annual fixed rent for the Premises (the annual fixed rent payable hereunder for the Premises at any particular time being referred to herein as the "Fixed Rent") shall be an amount equal to:

(1) the product obtained by multiplying (x) the Electricity Inclusion Rate, by (y) the number of square feet of Rentable Area comprising the Premises, for the period commencing on the Commencement Date and ending on the date immediately preceding the Rent Commencement Date (except that during the period prior to the date that Tenant occupies the Premises for the conduct of business, the amount described in clause (x) above shall be reduced to an amount equal to the product obtained by multiplying (I) the Electricity Inclusion Rate, by (II) fifty percent (50%));

(2) Two Hundred Seventy-Four Thousand Eight Hundred Forty-Two Dollars and Eighty-Four Cents ($274,842.84) ($22,903.57 per month) for the period commencing on the Rent Commencement Date and ending on the day immediately preceding the date that is twelve (12) months after the Commencement Date;

(3) Two Hundred Eighty-One Thousand Three Hundred Eighty-Six Dollars and Sixty-Eight Cents ($281,386.68) ($23,448.89 per month) for the period commencing on the date that is twelve (12) months after the Commencement Date and ending on the day immediately preceding the date that is twenty-four (24) months after the Commencement Date;

(4) Two Hundred Eighty-Eight Thousand Ninety-Four Dollars and Twenty Cents ($288,094.20) ($24,007.85 per month) for the period commencing on the date that is twenty-four (24) months after the Commencement Date and ending on the day immediately preceding the date that is thirty (30) months after the Commencement Date;

(5) Three Hundred Thousand One Hundred Seventy-Five Dollars and Twenty Cents ($300,175.20) ($25,014.60 per month) for the period commencing on the date that is thirty (30) months after the Commencement Date and ending on the day immediately preceding the date that is thirty-six (36) months after the Commencement Date;

(6) Three Hundred Seven Thousand Three Hundred Fifty-Two Dollars and Twenty-Eight Cents ($307,352.28) ($25,612.69 per month) for the period commencing on the date that is thirty-six (36) months after the Commencement Date and ending on the day immediately preceding the date that is forty-eight (48) months after the Commencement Date; and

(7) Three Hundred Fourteen Thousand Seven Hundred Nine Dollars and Twenty Cents ($314,709.20) ($26,225.77 per month) for the period commencing on the date that is forty-eight (48) months after the Commencement Date and ending on the Fixed Expiration Date.

1.5. Payments of Fixed Rent.

(A) Subject to Section 1.5(E) hereof, Tenant shall pay the Fixed Rent in lawful money of the United States of America that is legal tender in payment of all debts and dues, public and private, at the time of payment, in equal monthly installments, in advance, on the first (1st) day of each calendar month during the Term commencing on the Rent Commencement Date, at the office of Landlord or such other place as Landlord may designate from time to time on at least thirty (30) days of advance notice to Tenant, without any set-off, offset, abatement or deduction whatsoever (except to the extent otherwise expressly set forth herein).

(B) Landlord shall have the right to require Tenant to pay the Fixed Rent and any other items of Rental when due by wire transfer of immediately available funds to an account that Landlord designates from time to time on at least thirty (30) days of advance notice to Tenant.

(C) Subject to Section 1.5(B) hereof, Tenant shall have the right to pay the Fixed Rent and any other items of Rental by wire transfer of immediately available funds to an account that Landlord designates from time to time on at least thirty (30) days of advance notice to Tenant. Landlord shall so designate an account within thirty (30) days after Tenant's request therefor from time to time.

(D) If the Rent Commencement Date is not the first (1st) day of a calendar month, then (x) the Fixed Rent due hereunder for the calendar month during which the Rent Commencement Date occurs shall be adjusted appropriately based on the number of days in such calendar month, and (y) subject to Section 1.5(E) hereof, Tenant shall pay to Landlord such amount (adjusted as aforesaid for such calendar month) on the Rent Commencement Date. If the Expiration Date is not the last day of a calendar month, then the Fixed Rent due hereunder for the calendar month during which the Expiration Date occurs shall be adjusted appropriately based on the number of days in such calendar month.

(E) Tenant shall pay to Landlord on the date hereof an amount equal to Twenty-Two Thousand Nine Hundred Three Dollars and Fifty-Seven Cents ($22,903.57), which Landlord shall apply to the Fixed Rent that first comes due hereunder from and after the Rent Commencement Date until such amount is exhausted.

(F) The Fixed Rent as set forth in this Article 1 includes the Initial Electric Inclusion Factor and shall be adjusted from time to time to correspond to adjustments in the Electricity Inclusion Factor that are made in accordance with Article 5 hereof.

1.6. Certain Definitions.

(A) The term "Affiliate" shall mean a Person that (1) Controls, (2) is under the Control of, or (3) is under common Control with, the Person in question.

(B) The term "Applicable Rate" shall mean, at any particular time, the lesser of (x) four hundred (400) basis points above the Base Rate at such time, and (y) the maximum rate permitted by applicable law at such time.

(C) The term "Base Rate" shall mean the rate of interest announced publicly from time to time by Citibank, N.A., or its successor, as its "prime lending rate" (or such other term as may be used by Citibank, N.A. (or its successor), from time to time, for the rate presently referred to as its "prime lending rate").

(D) The term "Business Days" shall mean all days, excluding Saturdays, Sundays and Holidays.

(E) The term "Consumer Price Index" shall mean the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, All Items (1982-84 = 100), seasonally adjusted, for the most specific area that includes the location of the Building (which the parties acknowledge is currently New York — Northern New Jersey — Long Island, NY — NJ — CT — PA), or any successor index thereto. If the Consumer Price Index is converted to a different standard reference base or otherwise revised, then the determination of adjustments provided for herein shall be made with the use of such conversion factor, formula or table for converting the Consumer Price Index as may be published by the Bureau of Labor Statistics or, if said Bureau does not publish such conversion factor, formula or table, then with the use of such conversion factor, formula or table as may be published by Prentice-Hall, Inc. or any other nationally recognized publisher of similar statistical information. If the Consumer Price Index ceases to be published, and there is no successor thereto, then Landlord and Tenant shall use diligent efforts, in good faith, to agree upon a substitute index for the Consumer Price Index. Either party shall have the right to submit the issue of the designation of such substitute index to an Expedited Arbitration Proceeding.

(F) The term "Control" shall mean direct or indirect ownership of more than fifty percent (50%) of the outstanding voting stock of a corporation or other majority equity interest if not a corporation and the possession of power to direct or cause the direction of the management and policy of such corporation or other entity, whether through the ownership of voting securities, by statute or by contract.

(G) The term "Holidays" shall mean all days observed as legal holidays by either (x) the State of New York, (y) the United States of America, or (z) the labor unions that service the Building; provided, however, that if (x) all of the labor unions that service the Building do not observe a particular day as a holiday, and (y) the State of New York or the United States of America do not otherwise observe such day as a holiday, then such day shall constitute a Holiday for purposes hereof only to the extent that Landlord requires the services that are provided by members of the particular labor union to perform the corresponding service for Tenant hereunder (so that if, for example, (x) the labor union for office cleaning personnel observes a particular day as a holiday but the labor union for the engineers that operate the HVAC System does not observe such day as a holiday, and (y) the State of New York or the United States of America does not otherwise observe such day as a holiday, then such day shall constitute a Holiday for purposes of determining whether Landlord is required to provide office cleaning services on such day, but such day shall not constitute a Holiday for purposes of determining whether Landlord is required to provide HVAC services on such day).

(H) The term "Out-of-Pocket Costs" shall mean costs that a Person pays to a third party that is not an Affiliate of such Person (and, accordingly, Out-of-Pocket Costs shall not include (i) the costs that such Person incurs in compensating its own employees to perform a service or supervise work within the scope of their employment, or (ii) the administrative costs that such Person incurs in operating its own offices).

(I) The term "Person" shall mean any natural person or persons or any legal form of association, including, without limitation, a partnership, a limited partnership, a corporation, and a limited liability company.

(J) The term "Rentable Area" shall mean, with respect to a particular floor area, the area thereof (expressed as a particular number of square feet), as determined in accordance with the standards that the parties used to calculate that the area of the Premises is four thousand twenty-seven (4,027) square feet in the aggregate.

Article 2
ESCALATION RENT

2.1. Tax Definitions.

(A) The term "Assessed Valuation" shall mean the amount for which the Real Property is assessed pursuant to applicable provisions of the New York City Charter and of the Administrative Code of The City of New York, in either case for the purpose of calculating all or any portion of the Taxes.

(B) The term "Base Taxes" shall mean the Taxes for the Base Tax Year.

(C) The term "Base Tax Year" shall mean the fiscal year commencing on July 1, 2007 and ending on June 30, 2008.

(D) The term "Excluded Amounts" shall mean (w) any taxes imposed on Landlord's income, (x) franchise, estate, inheritance, capital gains, capital stock, excise, excess profits, gift, payroll or stamp taxes imposed on Landlord, (y) any transfer taxes or mortgage taxes that are imposed on Landlord in connection with the conveyance of the Real Property or granting or recording a mortgage lien thereon, and (z) any other similar taxes imposed on Landlord.

(E) Subject to the terms of this 2.1(E), the term "Taxes" shall mean the aggregate amount of real estate taxes and any general or special assessments that in each case are imposed upon the Real Property, including, without limitation, (i) any fee, tax or charge imposed by any Governmental Authority for any vaults or vault spaces that in either case are appurtenant to the Real Property (except that Taxes shall not include such fee, tax or charge to the extent that Landlord leases or licenses such vaults or vault spaces to a third party), and (ii) any taxes or assessments levied, in whole or in part, for public

benefits to the Real Property (including, without limitation, any business improvement district taxes and assessments). Taxes shall be calculated without taking into account (a) any discount that Landlord receives by virtue of any early payment of Taxes, (b) any penalties, fines or interest that the applicable Governmental Authority imposes for the late payment of such real estate taxes or assessments, (c) any Excluded Amounts, (d) any real estate taxes that are separately assessed against a sign or billboard that is affixed to the Building or otherwise located on the Real Property, and (e) any exemption or deferral of Taxes to which the Real Property is entitled under any program that a Governmental Authority adopts to promote the improvement or redevelopment of real property. If, because of any change in the taxation of real estate, any other tax or assessment, however denominated (including, without limitation, any franchise, income, profits, sales, use, occupancy, gross receipts or rental tax), is imposed upon the Real Property, the owner thereof, or the occupancy, rents or income derived therefrom, in substitution for any of the Taxes (to the extent that such substitution is evidenced by either the terms of the legislation imposing such tax or assessment, the legislative history thereof, or other documents or evidence that reasonably demonstrate that the applicable Governmental Authority intended for such tax or assessment to constitute a substitution for any Taxes), then such other tax or assessment to the extent substituted shall be included in Taxes for purposes hereof (assuming that the Real Property is Landlord's sole asset and the income therefrom is Landlord's sole income). If any such real estate taxes or assessments are payable in installments without interest, premium or penalty, then Landlord shall include in Taxes for any particular Tax Year only the installment of such real estate taxes or assessments that the applicable Governmental Authority requires Landlord to pay (and that Landlord actually pays) during such Tax Year.

(F) The term "Tax Payment" shall mean, with respect to any Tax Year, the product obtained by multiplying (i) the excess of (A) Taxes for such Tax Year, over (B) the Base Taxes, by (ii) Tenant's Tax Share.

(G) The term "Tax Statement" shall mean a statement that shows the Tax Payment for a particular Tax Year.

(H) The term "Tax Year" shall mean the Base Tax Year and each subsequent period from July 1 through June 30 (or such other period as hereinafter may be duly adopted by the Governmental Authority then imposing Taxes as its fiscal year for real estate tax purposes).

(I) The term "Tenant's Tax Share" shall mean, subject to the terms hereof, one thousand seven hundred fifty-nine ten-thousandths percent (.1759%), as the same may be increased or decreased pursuant to the terms hereof, which was calculated using a denominator of two million two hundred eighty-eight thousand seven hundred seventy-two (2,288,772) square feet.

2.2. Tax Payment.

(A) Subject to the provisions of this Section 2.2, Tenant shall pay to Landlord, as additional rent, the Tax Payment.

(B) Landlord shall have the right to give a statement to Tenant from time to time pursuant to which Landlord sets forth Landlord's good faith estimate of the Tax Payment for a particular Tax Year (any such statement that Landlord gives to Tenant being referred to herein as a "Prospective Tax Statement"; one-twelfth (1/12th) of the Tax Payment shown on a Prospective Tax Statement being referred to herein as the "Monthly Tax Payment Amount"). If Landlord gives (or is deemed to have given) to Tenant a Prospective Tax Statement, then, subject to the terms of this Section 2.2(B), Tenant shall pay to Landlord, as additional rent, on account of the Tax Payment due hereunder for such Tax Year, the Monthly Tax Payment Amount, on the first (1st) day of each subsequent calendar month until Tenant has paid to Landlord, pursuant to this Section 2.2(B), the full amount of the Tax Payment as so estimated in the Prospective Tax Statement. Tenant shall pay the Monthly Tax Payment Amount to Landlord in the same manner as the monthly installments of the Fixed Rent hereunder. Landlord shall not have the right to require Tenant to commence Tenant's payment of the Monthly Tax Payment Amount for a particular Tax Year earlier than the one hundred fiftieth (150th) day of the immediately preceding Tax Year. If Landlord gives (or is deemed to have given) to Tenant a Prospective Tax Statement after the one hundred fiftieth (150th) day of the immediately preceding Tax Year, then Tenant shall also pay to Landlord, within thirty (30) days after the date that Landlord gives the Prospective Tax Statement to Tenant, an amount equal to the excess of (I) the product obtained by multiplying (x) the Monthly Tax Payment Amount, by (y) the number of calendar months that have theretofore elapsed since the one hundred fiftieth (150th) day of the immediately preceding Tax Year, over (II) the aggregate amount theretofore paid by Tenant to Landlord on account of the Tax Payment for the Tax Year to which the Prospective Tax Statement relates. Landlord shall not have the right to use this Section 2.2(B) to collect more than fifty percent (50%) of the Tax Payment shown on a particular Prospective Tax Statement earlier than the thirtieth (30th) day before the date that the first installment of Taxes is due to the applicable Governmental Authority for a particular Tax Year. If Landlord gives (or is deemed to have given) to Tenant a Prospective Tax Statement for a particular Tax Year, then Landlord shall also provide to Tenant, within one hundred eighty (180) days after the last day of such Tax Year, a Tax Statement for such Tax Year.

(C) Tenant shall pay to Landlord an amount equal to the excess (if any) of (i) the Tax Payment as reflected on a Tax Statement that Landlord gives to Tenant, over (ii) the aggregate amount that Tenant has theretofore paid to Landlord on account of the Tax Payment (if any) as contemplated by Section 2.2(B) hereof, within thirty (30) days after the date that Landlord gives such Tax Statement to Tenant. Tenant shall have the right to credit against the Rental thereafter coming due hereunder an amount equal to the excess (if any) of (i) the aggregate amount that Tenant has theretofore paid to Landlord on account of the Tax Payment as contemplated by Section 2.2(B) hereof, over (ii) the Tax Payment as reflected on such Tax Statement; provided, however, that if the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (it being understood that Landlord's obligation to make such payment to Tenant shall survive the Expiration Date). If Landlord gives Tenant a Tax Statement, then, unless Landlord otherwise specifies in such Tax Statement, Landlord shall be deemed to have given to Tenant a Prospective Tax Statement, for the Tax Year immediately succeeding the Tax Year that is covered by such Tax Statement, that reflects a Tax Payment for such immediately succeeding Tax Year in an amount equal to the Tax Payment for such Tax Year that is covered by such Tax Statement.

(D) If the Rent Commencement Date occurs later than the first (1st) day of the Tax Year that immediately succeeds the Base Tax Year, then the Tax Payment for the Tax Year during which the Rent Commencement Date occurs shall be an amount equal to the product obtained by multiplying (X) the Tax Payment that would have been due hereunder if the Rent Commencement Date was the first (1st) day of such Tax Year, by (Y) a fraction, the numerator of which is the number of days in the period beginning on the Rent Commencement Date and ending on the last day of such Tax Year, and the denominator of which is three hundred sixty- five (365) (or three hundred sixty-six (366), if such Tax Year includes the month of February in a leap year).

(E) If the Expiration Date is not the last day of a Tax Year, then the Tax Payment for the Tax Year during which the Expiration Date occurs shall be an amount equal to the product obtained by multiplying (X) the Tax Payment that would have been due hereunder if the Expiration Date was the last day of such Tax Year, by (Y) a fraction, the numerator of which is the number of days in the period beginning on the first (1st) day of such Tax Year and ending on the Expiration Date, and the denominator of which is three hundred sixty-five (365) (or three hundred sixty-six (366), if such Tax Year includes the month of February in a leap year).

(F) The Tax Payment shall be computed initially on the basis of the Assessed Valuation in effect on the date that Landlord gives the applicable Tax Statement to Tenant (as the Taxes may have been settled or finally adjudicated prior to such time) regardless of any then pending application, proceeding or appeal to reduce the Assessed Valuation, but shall be subject to subsequent adjustment as provided in Section 2.3 hereof.

(G) Tenant shall pay the Tax Payment regardless of whether Tenant is exempt, in whole or part, from the payment of any Taxes by reason of Tenant's diplomatic status or otherwise.

(H) If Taxes are required to be paid on any date or dates other than as presently required by the Governmental Authority imposing Taxes, then the due date of the installments of the Tax Payment shall be adjusted so that each such installment is due from Tenant to Landlord thirty (30) days prior to the date that the corresponding payment is due to the Governmental Authority (with the understanding, however, that Tenant shall not be required to pay a Tax Payment to Landlord earlier than the thirtieth (30^{th}) day after the date that Landlord gives the applicable Tax Statement to Tenant).

(I) Landlord's failure to give to Tenant a Tax Statement for any Tax Year shall not impair Landlord's right to give to Tenant a Tax Statement for any other Tax Year.

(J) Landlord shall give to Tenant a copy of the relevant tax bill for each Tax Year (to the extent that the applicable Governmental Authority has issued such tax bill to Landlord) together with the Tax Statement.

2.3. Tax Reduction Proceedings.

(A) Landlord (and not Tenant) shall be eligible to institute proceedings to reduce the Assessed Valuation.

(B) If, after a Tax Statement has been sent to Tenant, an Assessed Valuation that Landlord used to compute the Tax Payment for a Tax Year is reduced, and, as a result thereof, a refund of Taxes is actually received by, or credited to, Landlord, then Landlord, promptly after Landlord's receipt of such refund (or such refund is credited to Landlord, as the case may be), shall send to Tenant a Tax Statement adjusting the Taxes for such Tax Year and setting forth, based on such adjustment, the portion of such refund for which Tenant is entitled a credit as set forth in this Section 2.3(B). Landlord shall have the right to deduct from such refund the actual Out-of-Pocket Costs that Landlord incurs in obtaining such refund (so that Landlord, in calculating the adjusted Tax Payment, takes into account only the net proceeds of such refund that Landlord receives (or that is credited to Landlord)). Landlord shall credit the portion of such refund to which Tenant is entitled against the Rental thereafter coming due hereunder. If (x) Tenant is entitled to a credit against Rental pursuant to this Section 2.3(B), and (y) the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date). If (i) Landlord receives such refund (or a credit therefor) after the Expiration Date, and (ii) Tenant is entitled to a portion thereof as contemplated by this Section 2.3(B), then Landlord shall pay to Tenant an amount equal to Tenant's share of such refund (or such credit) within thirty (30) days after the date that such refund is paid to Landlord (or such refund is credited to Landlord, as the case may be) (and Landlord's obligation to make such payment shall survive the Expiration Date).

(C)

(1) If the Assessed Valuation for the Base Tax Year is reduced at any time after the date that Landlord gives a Tax Statement to Tenant for a Tax Year, then Landlord shall have the right to give to Tenant a revised Tax Statement that recalculates the Tax Payment for a Tax Year (using the Taxes that reflect such reduction in such Assessed Valuation). Tenant shall pay to Landlord an amount equal to the excess of (i) the Tax Payment as reflected on such revised Tax Statement, over (ii) the Tax Payment as reflected on the prior Tax Statement, within thirty (30) days after Landlord gives such revised Tax Statement to Tenant.

(2) If the Assessed Valuation for the Base Tax Year is increased at any time after the date that Landlord gives a Tax Statement to Tenant for a Tax Year, then Landlord shall give to Tenant a revised Tax Statement that recalculates the Tax Payment for a Tax Year (using the Taxes that reflect such increase in such Assessed Valuation). Landlord shall credit against the Rental thereafter coming due hereunder an amount equal to Tenant's overpayment of the Tax Payment (calculated as aforesaid using such increased Assessed Valuation). If (x) Tenant is entitled to a credit against Rental pursuant to this Section 2.3(C)(2), and (y) the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date). If (i) such increase in such Assessed Valuation occurs after the Expiration Date, and (ii) Tenant is entitled to a credit against Rental as contemplated by this Section 2.3(C)(2), then Landlord shall pay to Tenant an amount equal to such credit within thirty (30) days after the date that such increase in such Assessed Valuation occurs (and Landlord's obligation to make such payment shall survive the Expiration Date).

(D) The terms and provisions of this Section 2.3 shall survive the Expiration Date.

2.4. Building Additions.

If Landlord makes improvements to the Building to expand the Rentable Area thereof, then, with respect to the period from and after the date that Taxes are assessed on the Building to reflect such improvements, (I) Tenant's Tax Share shall be recalculated as of the date that Taxes are so assessed as the quotient (expressed as a percentage) that is obtained by dividing (x) the number of square feet of Rentable Area in the Premises, by (y) the number of square feet of Rentable Area in the Building (after taking into account such expansion of the Rentable Area thereof) and (II) Base Taxes shall be an amount equal to the

product obtained by multiplying (x) Base Taxes immediately prior to the date that Taxes are assessed on the Building to reflect such improvements, by (y) a fraction, the numerator of which is the Taxes that are assessed against the Building (after taking such improvements into account), and the denominator of which is the Taxes that are assessed against the Building (before taking such improvements into account).

Article 3
USE

3.1. Permitted Use.

(A) Subject to Section 3.2 hereof, Tenant shall use the Premises, and Tenant shall cause any other Person claiming by, through or under Tenant to use the Premises, in either case only as general, administrative and executive offices and for uses reasonably incidental thereto.

(B) Landlord acknowledges that the following items qualify as uses that are incidental to Tenant's use of the Premises as general, administrative and executive offices (provided that Tenant's use of the Premises for such purposes supports Tenant's primary use of the Premises as general, administrative and executive offices):

(1) pantries and vending machines;

(2) conference rooms and board rooms;

(3) data processing centers;

(4) duplicating and photographic reproduction facilities;

(5) mailroom and messenger facilities; and

(6) secured storage facilities for Tenant's Property, including, without limitation, equipment, records and files.

Nothing contained in this Section 3.1(B) impairs Tenant's obligation to perform Alterations in accordance with the provisions of Article 7 hereof. Landlord and Tenant acknowledge that the parties' description of particular incidental uses in this Section 3.1(B) does not impair Tenant's right to use the Premises for other uses that are otherwise reasonably incidental to Tenant's use of the Premises as general, administrative and executive offices as provided in this Section 3.1.

3.2. Limitations.

Tenant shall not use the Premises or any part thereof, or permit the Premises or any part thereof to be used:

(1) for the conduct of "off-the-street" retail trade;

(2) by any Governmental Authority or any other Person having sovereign or diplomatic immunity (it being understood, however, that this clause (2) shall not prohibit a Permitted Party from permitting representatives of a Governmental Authority to enter a portion of the Premises temporarily to perform audits or other similar regulatory review of such Permitted Party's business);

(3) for the sale, storage, preparation, service or consumption of food or beverages in any manner whatsoever (except that a Permitted Party has the right to store, prepare, and serve food and beverages, by any reasonable means (including, without limitation, by means of customary vending machines), for consumption by such Permitted Party's personnel and business guests in the Premises);

(4) as an employment agency, executive search firm or similar enterprise, labor union, school, or vocational training center (except for the training of employees of a Permitted Party who are employed at the Premises); or

(5) for gaming or gambling.

3.3. Rules.

Subject to the terms of this Section 3.3, Tenant shall comply with, and Tenant shall cause any other Person claiming by, through or under Tenant to comply with, the rules set forth in Exhibit "3.3" attached hereto and made a part hereof, and other reasonable rules that Landlord hereafter adopts from time to time on reasonable advance notice to Tenant, including, without limitation, rules that govern the performance of Alterations (such rules that are attached hereto, and such other rules, being collectively referred to herein as the "Rules"). Landlord shall not have any obligation to enforce the Rules or the terms of any other lease against any other tenant, and Landlord shall not be liable to Tenant for violation thereof by any other tenant. Landlord shall not enforce any Rule against Tenant (i) that Landlord is not then enforcing against all other office tenants in the Building, or (ii) in a manner that differs in any material respect from the manner in which Landlord is enforcing the applicable Rule against other office tenants in the Building. If a conflict or inconsistency exists between the Rules and the provisions of the remaining portion of this Lease, then the provisions of the remaining portion of this Lease shall control.

3.4. Promotional Displays.

Tenant shall not have the right to use any window in the Premises for any sign or other display that is designed principally for advertising or promotion.

3.5. Core Toilets.

Tenant shall have the right to use the toilets that are located in the core area of the Building on any floor of the Building where the Premises is located and where the Premises does not include the entire Rentable Area of such floor (in common with the other occupants of such floor of the Building).

3.6. Wireless Internet Service.

Subject to the terms of this Section 3.6, Tenant shall have the right to install wireless Internet service in the Premises. Tenant shall not solicit other occupants of the Building to use wireless Internet service that emanates from the Premises. Tenant shall not permit the signals of

Tenant's wireless Internet service (if any) to emanate beyond the Premises in a manner that interferes in any material respect with any Building Systems or with any other occupant's use of other portions of the Building. Nothing contained in this Section 3.5 diminishes Tenant's obligation to perform Alterations in accordance with the provisions of Article 7 hereof.

3.7. Telecommunications.

Landlord shall permit Tenant to gain access to the facilities of the telecommunications provider that services the Building from time to time through the telecommunication closet on the floor of the Building where the Premises is located (it being understood that Landlord's granting such access to Tenant shall not constitute Landlord's agreement to provide telecommunications services to Tenant or to otherwise have responsibility for the operation or security thereof).

Article 4
SERVICES

4.1. Certain Definitions.

(A) The term "Building Hours" shall mean the period from 8:00 A.M. to 6:00 P.M. on Business Days.

(B) The term "Building Systems" shall mean the service systems of the Building, including, without limitation, the mechanical, gas, steam, electrical, sanitary, HVAC, elevator, plumbing, and life-safety systems of the Building (it being understood that the Building Systems shall not include any systems that Tenant installs in the Premises as an Alteration).

(C) The term "HVAC" shall mean heat, ventilation and air-conditioning.

(D) The term "HVAC Systems" shall mean the Building Systems that provide HVAC.

(E) The term "Overtime Periods" shall mean any times that do not constitute Building Hours; provided, however, that the Overtime Periods for the freight elevator shall also include the lunch period of the personnel who operate the freight elevator or the related loading facility.

4.2. Elevator Service.

(A) Subject to the terms of Section 9.6(C) hereof, Article 10 hereof and this Section 4.2, Landlord shall provide Tenant, at no cost to Tenant, with passenger elevator service for the Premises using the Building Systems therefor. Tenant's use of the passenger elevators shall be in common with other occupants of the Building. Tenant shall have the use of the passenger elevators that service the Premises at all times (twenty-four (24) hours per day, seven (7) days per week), except that Landlord, during Overtime Periods, shall have the right to limit

reasonably the passenger elevators that Landlord makes available to service the Premises (provided that there is available to Tenant on a non-exclusive basis at all times at least one (1) passenger elevator that services the Premises). Tenant shall use the passenger elevators only for purposes of transporting persons to and from the Premises.

(B) Subject to the terms of Section 9.6(C) hereof, Article 10 hereof and this Section 4.2, Landlord shall provide Tenant with freight elevator service for the Premises using the Building Systems therefor. Tenant's use of the freight elevator shall be in common with other occupants of the Building. Landlord shall have the right to prescribe reasonable rules from time to time regarding the rights of the occupants in the Building (including, without limitation, Tenant) to use the freight elevator (governing, for example, the responsibility of occupants of the Building to reserve freight elevator use in advance, particularly for Overtime Periods). Tenant shall use the freight elevator in accordance with applicable Requirements. If Tenant uses the freight elevator during Overtime Periods, then Tenant shall pay to Landlord, as additional rent, an amount calculated at the reasonable hourly rates that Landlord charges from time to time therefor, within thirty (30) days after Landlord's giving to Tenant an invoice therefor. Landlord shall have the right to charge Tenant for a particular minimum number of hours of usage of the freight elevator during Overtime Periods to the extent that the applicable union contract or service contract requires Landlord to engage the necessary personnel (including, without limitation, a freight elevator operator and loading dock attendant) for such minimum number of overtime hours. If (x) Tenant requests Landlord to provide Tenant with freight elevator service during Overtime Periods as provided in this Section 4.2(B), and (y) another tenant in the Building also uses, or other tenants in the Building also use, the applicable freight elevator during such Overtime Period, then Landlord shall allocate equitably the charges described in this Section 4.2(B) among Tenant and such other tenant or tenants.

4.3. Heat, Ventilation and Air-Conditioning.

(A) Subject to the terms of Article 10 hereof and this Section 4.3, Landlord shall operate the HVAC System to provide HVAC at the perimeter of the Premises. Landlord shall not be required to make any installations in the Premises to distribute HVAC within the Premises. Landlord shall not be required to repair or maintain during the Term (i) any installations that exist in the Premises on the Commencement Date that distribute within the Premises HVAC that the HVAC System provides, or (ii) any system that is located in the Premises on the Commencement Date that provides supplemental HVAC for the Premises

(in addition to the HVAC provided by the HVAC System). Tenant shall keep closed the curtains, blinds, shades or screens that Tenant installs on the windows of the Premises in accordance with the terms hereof to the extent reasonably necessary to reduce the interference of direct sunlight with the operation of the HVAC System.

(B) Landlord shall operate the HVAC System for Tenant's benefit during Overtime Periods if Tenant so advises Landlord not later than 2:00 P.M. on the Business Day immediately preceding the day on which Tenant requires HVAC during Overtime Periods. If Landlord so provides HVAC to the Premises during Overtime Periods (as so requested by Tenant), then Tenant shall pay to Landlord, as additional rent, an amount calculated at the

reasonable hourly rates that Landlord charges from time to time therefor, within thirty (30) days after Landlord gives to Tenant an invoice therefor. Landlord shall have the right to charge Tenant for a particular minimum number of hours of usage of the HVAC System during Overtime Periods to the extent that the applicable union contract or service contract requires Landlord to engage the necessary personnel (including, without limitation, a building engineer) for such minimum number of overtime hours.

4.4. Cleaning.

(A) Subject to the terms of Article 10 hereof and this Section 4.4, Landlord shall cause the Premises to be cleaned substantially in accordance with the standards set forth in Exhibit "4.4" attached hereto and made a part hereof. Landlord shall not be required to clean the portions of the Premises (if any) (x) that Tenant uses for the storage, preparation, service or consumption of food or beverages, (y) in which Tenant is performing Alterations, or (z) in which the interior installation has been demolished in all material respects. Tenant shall pay to Landlord, as additional rent, the reasonable costs incurred by Landlord in removing from the Building any of Tenant's refuse and rubbish to the extent exceeding the amount of refuse and rubbish usually generated by a tenant that uses the Premises for ordinary office purposes. Tenant shall make such payments to Landlord not later than the thirtieth (30th) day after the date that Landlord gives to Tenant an invoice therefor from time to time. Tenant shall pay to Landlord as additional rent, within thirty (30) days after Landlord's submission of an invoice to Tenant therefor, the reasonable charge that Landlord imposes for providing supplies to the core toilets and basins on the floor of the Building where the Premises is located.

(B) Tenant, at Tenant's expense, shall exterminate the portions of the Premises that Tenant uses for the storage, preparation, service or consumption of food against infestation by insects and vermin regularly and, in addition, whenever there is evidence of infestation. Tenant shall engage Persons to perform such exterminating that are approved by Landlord, which approval Landlord shall not unreasonably withhold, condition or delay. Tenant shall cause such Persons to perform such exterminating in a manner that is reasonably satisfactory to Landlord.

(C) Tenant, at Tenant's expense, shall clean daily all portions of the Premises used for the storage, preparation, service or consumption of food or beverages. Tenant shall not have the right to perform any cleaning services (or any other similar facilities management services such as, for example, matron services or handyman services) in the Premises using any Person other than the cleaning contractor that Landlord has engaged from time to time to perform cleaning services in the Building for Landlord; provided, however, that (x) Landlord shall not have the right to require Tenant to use such cleaning contractor unless the rates that such cleaning contractor agrees to charge Tenant for such additional cleaning services are commercially reasonable, and (y) subject to Section 4.8 hereof, Tenant shall have the right to use Tenant's own employees for such additional cleaning services. If such cleaning contractor does not agree to charge Tenant for such additional cleaning services (or such similar services) at commercially reasonable rates, then Tenant may employ to perform such additional cleaning services (or such similar services) another cleaning contractor that Landlord approves, which approval Landlord shall not unreasonably withhold, condition or delay.

(D) Tenant shall comply with any refuse disposal program (including, without limitation, any waste recycling program) that Landlord imposes reasonably after having given Tenant reasonable advance notice of the effectiveness thereof or that is required by Requirements.

(E) Tenant shall not clean any window in the Premises, nor require, permit, suffer or allow any window in the Premises to be cleaned, in either case from the outside in violation of Section 202 of the New York Labor Law, any other Requirement, or the rules of the Board of Standards and Appeals, or of any other board or body having or asserting jurisdiction.

4.5. Water.

Landlord shall provide to the lavatories located in the portion of the Premises that is within the core of the Building hot and cold water only for ordinary drinking, cleaning and lavatory purposes. Landlord shall also provide, through the Building Systems, hot and cold water at one (1) connection point at the perimeter of the Premises only for ordinary drinking, pantry, cleaning and lavatory purposes. Landlord shall not be required to make any installations in the Premises to distribute water within the Premises. Landlord shall not be required to repair or maintain during the Term any installations that exist in the Premises on the Commencement Date that distribute water in the Premises. Nothing contained in this Section 4.5 limits the provisions of Article 10 hereof.

4.6. Directory.

Subject to the terms of this Section 4.6, Landlord shall make available to Tenant, from and after the Commencement Date, the computerized directory in the lobby of the Building for purposes of listing the names of the personnel of Permitted Parties. Landlord shall reprogram such directory to add or delete names of the personnel or Permitted Parties promptly after Tenant's request from time to time, except that Tenant shall not have the right to make any such request more frequently than twice in any particular period of ninety (90) days. Tenant shall pay to Landlord, as additional rent, a reasonable charge for any such reprogramming requested by Tenant, within thirty (30) days after the date that Landlord gives to Tenant an invoice therefor (it being understood that Tenant shall not be required to pay such charge for the initial programming of such computerized directory or for the first two (2) reprogramming requests in any given year of the Term, provided that such reprogramming requests do not require more than ten (10) name changes). If Landlord replaces the computerized directory with a standard directory in the lobby of the Building, then Tenant shall be entitled to a portion of such listings on such directory based on the proportion that the number of square feet of Rentable Area of the Premises bears to the number of square feet of Rentable Area of the Building (other than any retail portion thereof) for purposes of listing the names of the personnel of Permitted Parties as provided in this Section 4.6. Landlord reserves the right to remove the directory in the lobby of the Building at any time (without making a replacement thereof).

4.7. No Other Services.

Landlord shall not be required to provide any services to support Tenant's use and occupancy of the Premises, except to the extent expressly set forth herein.

4.8. Labor Harmony.

If (i) Tenant employs, or permits the employment of, any contractor, mechanic or laborer in the Premises, whether in connection with any Alteration or otherwise, (ii) such employment interferes or causes any conflict with other contractors, mechanics or laborers engaged in the maintenance, repair, management or operation of the Building or any adjacent property owned or managed by Landlord, and (iii) Landlord gives Tenant notice thereof (which notice may be given verbally to the person employed by Tenant with whom Landlord's representative ordinarily discusses matters relating to the Premises), then Tenant shall cause all contractors, mechanics or laborers causing such interference or conflict to leave the Building promptly and shall take such other action as may be reasonably necessary to resolve such conflict.

4.9. Overtime Rates.

As of the date hereof, a list of the current charges for services during Overtime Periods for the Building is attached hereto as Exhibit "B" and made a part hereof. Landlord hereby reserves the right to increase, from time to time, such charges for the Building.

Article 5
ELECTRICITY

5.1. Capacity.

Tenant, during the Term, shall use electricity in the Premises only in such manner that complies with the requirements of the Utility Company. Tenant shall not permit the demand for electricity in the Premises to exceed the electrical capacity that serves the Premises on the Commencement Date (such electrical capacity being referred to herein as the "Base Electrical Capacity").

5.2. Electricity for the Building.

Landlord has arranged with a Utility Company to provide electricity for the Building. Landlord shall not be liable to Tenant for any failure or defect in the supply or character of electricity furnished to the Building, except to the extent that such failure or defect results from Landlord's negligence or willful misconduct. Landlord shall not be required to make any installations in the Premises to distribute electricity within the Premises. Landlord shall not be required to maintain or repair during the Term any installations that exist in the Premises on the Commencement Date that distribute electricity within the Premises.

5.3. Electric Rent Inclusion.

(A) Subject to the terms of this Section 5.3, Landlord shall furnish electricity to the Premises on a "rent inclusion" basis; that is, Landlord shall not charge Tenant (in addition to the Fixed Rent) for such electricity that Landlord furnishes to the Premises. The Fixed Rent includes an annual charge for electricity in an amount equal to Thirteen Thousand Eighty-Seven Dollars and Eighty Cents ($13,087.80) (such annual charge that is included in the Fixed Rent being referred to herein as the "Initial Electricity Inclusion Factor"; the Initial Electricity Inclusion Factor, as it may be changed from time to time pursuant to the provisions of this Section 5.3, being referred to as the "Electricity Inclusion Factor"; the quotient obtained by dividing (x) the Electricity Inclusion Factor at any particular time, by (y) the number of square feet of Rentable Area comprising the Premises at such time, being referred to herein as the "Electricity Inclusion Rate"). Nothing contained in this Section 5.3 shall permit Tenant to demand electric current for the Premises that exceeds the Base Electrical Capacity.

(B) The term "Average Cost per Peak Demand Kilowatt" shall mean, with respect to any particular period, the quotient obtained by dividing (x) the aggregate charge imposed by the Utility Company on Landlord for the Utility Company's making available electricity that satisfies the Building's peak demand for electricity during such period, by (y) the number of kilowatts that constituted such peak demand, as reflected on the electric meter or meters for the Building.

(C) The term "Average Cost per Kilowatt Hour" shall mean, with respect to any particular period, the quotient obtained by dividing (x) the aggregate charge imposed by the Utility Company on Landlord for the electricity supplied to the Building for such period (other than the aggregate charge imposed by the Utility Company on Landlord for the Utility Company's making available electricity that satisfies the Building's peak demand for electricity during such period), by (y) the number of kilowatt hours of electricity used in the Building during such period, as reflected on the electric meter or meters for the Building.

(D) The term "Utility Company" shall mean, collectively, the local electrical energy distribution company and the competitive energy provider with which Landlord has made arrangements to obtain electric service for the Building; provided, however, that if Landlord makes arrangements to produce electricity to satisfy all or a portion of the requirements of the Building, then (I) Utility Company shall also refer to the producer of such electricity, and (II) the charges imposed by such producer shall be included in the calculation of Average Cost per Kilowatt Hour and Average Cost per Peak Demand Kilowatt.

(E) Landlord, at any time and from time to time during the Term, shall have the right to cause a reputable and independent electrical engineer or electrical consulting firm that in either case Landlord selects reasonably (such engineer or consulting firm being referred to herein as "Landlord's Engineer") to (i) survey Tenant's electrical usage in the Premises, and (ii) estimate (x) the number of kilowatt hours of electricity used in the Premises during each

calendar month (an estimate of the number of kilowatt hours of electricity used in the Premises during each calendar month being referred to herein as a "Usage Estimate"), and (y) the number of

kilowatts that constitutes the peak demand for electricity in the Premises (an estimate of the number of kilowatts of peak demand in the Premises being referred to herein as a "Peak Demand Estimate"). If Landlord causes Landlord's Engineer to perform such survey and prepare such estimate, then Landlord shall give to Tenant a copy of the report prepared by Landlord's Engineer that sets forth the Usage Estimate of Landlord's Engineer and the Peak Demand Estimate of Landlord's Engineer (such report being referred to herein as the "Landlord Survey Report").

(F) If Landlord gives a Landlord Survey Report to Tenant, then Tenant shall have the right to dispute such Landlord Survey Report only by (i) giving notice thereof to Landlord on or prior to the thirtieth (30th) day after the date that Landlord gives the Landlord Survey Report to Tenant, and (ii) delivering to Landlord, on or prior to the sixtieth (60th) day after the date that Landlord gives such Landlord Survey Report to Tenant, a report (the "Tenant Survey Report"), prepared by a reputable and independent electrical engineer or electrical consulting firm that Tenant selects reasonably (such engineer or consulting firm being referred to herein as "Tenant's Engineer") that sets forth the Usage Estimate of Tenant's Engineer and the Peak Demand Estimate of Tenant's Engineer.

(G) If Tenant gives Landlord a Tenant Survey Report in accordance with the terms of Section 5.3(F) hereof, then Landlord shall cause Landlord's Engineer, and Tenant shall cause Tenant's Engineer, to consult with each other to attempt to agree on a Usage Estimate and a Peak Demand Estimate. If Landlord's Engineer and Tenant's Engineer fail to agree on a Usage Estimate and a Peak Demand Estimate within thirty (30) days after the date that Tenant gives the Tenant Survey Report to Landlord, then either party shall have the right to submit the determination of such Usage Estimate and such Peak Demand Estimate to an Expedited Arbitration Proceeding.

(H) If the Usage Estimate and the Peak Demand Estimate are determined as provided in this Section 5.3, then the Electricity Inclusion Factor (and, accordingly, the Fixed Rent) shall be increased to the extent (if any) necessary so that the Electricity Inclusion Factor equals an amount equal to the product obtained by multiplying (x) twelve (12), by (y) the sum of (a) the product obtained by multiplying (I) the Usage Estimate, by (II) the Average Cost per Kilowatt Hour for the calendar month most recently invoiced to Landlord by the Utility Company, and (b) the product obtained by multiplying (I) the Peak Demand Estimate, by (II) the Average Cost per Peak Demand Kilowatt for the calendar month most recently invoiced to Landlord by the Utility Company. The aforesaid increase in the Electricity Inclusion Factor shall be made as of the date that Landlord gives the Landlord Survey Report to Tenant (it being understood that the parties shall make an appropriate retroactive adjustment to reflect the Electricity Inclusion Factor being adjusted as aforesaid as of the date that Landlord gives the Landlord Survey Report to Tenant). Nothing contained in this Section 5.3(H) limits the provisions of Section 5.3(I) hereof.

(I) The parties shall increase the Electricity Inclusion Factor from time to time during the Term to reflect the percentage increase in the Average Cost per Kilowatt Hour from the Average Cost per Kilowatt Hour that is in effect as of the date hereof, or as of the date

of the most recent adjustment in the Electricity Inclusion Factor pursuant to Section 5.3(H) hereof, as the case may be. If the Electricity Inclusion Factor increases pursuant to this Section 5.3(I), then the Fixed Rent shall also be increased correspondingly. Nothing contained in this Section 5.3(I) limits the provisions of Section 5.3(H) hereof.

(J) Landlord shall have the right to require Tenant, at any time during the Term, to obtain electricity from Landlord for the Premises on a submetering basis as contemplated by this Section 5.4 hereof (rather than a "rent inclusion" basis as contemplated by this Section 5.3) by giving not less than sixty (60) days of advance notice thereof to Tenant (Landlord's aforesaid right being referred to herein as the "Submeter Conversion Right"). If Landlord exercises the Submeter Conversion Right, then the Fixed Rent for the remainder of the Term (from and after the date that Landlord's exercise of the Submeter Conversion Right becomes effective) shall be decreased by the Electricity Inclusion Factor that is then in effect.

5.4. Submetering.

(A) Subject to the provisions of this Section 5.4, if Landlord exercises the Submeter Conversion Right, then Landlord shall measure Tenant's demand for and consumption of electricity in the Premises using a submeter that is, or submeters that are, installed and maintained by Landlord. Landlord shall pay the cost of installing such submeter or submeters. If, at any time during the Term, Tenant performs Alterations that require modifications to the aforesaid submeter or submeters that Landlord installs, or that require a supplemental submeter or supplemental submeters, then Tenant shall perform such modification, or the installation of such supplemental submeter or submeters, at Tenant's cost, as part of the applicable Alteration.

(B) If Landlord exercises the Submeter Conversion Right, then Tenant shall pay to Landlord, as additional rent, an amount (the "Electricity Additional Rent") equal to one hundred four percent (104%) of the sum of:

(1) the product obtained by multiplying (x) the Average Cost per Peak Demand Kilowatt, by (y) the number of kilowatts that constituted the peak demand for electricity in the Premises for the applicable billing period, as registered on the submeter or submeters for the Premises, and

(2) the product obtained by multiplying (x) the Average Cost per Kilowatt Hour, by (y) the number of kilowatt hours of electricity used in the Premises for the applicable billing period, as registered on the submeter or submeters for the Premises.

(C) Subject to Section 5.4(D) hereof, Landlord shall give Tenant an invoice for the Electricity Additional Rent from time to time (but no less frequently than quarter- annually). Tenant shall pay the Electricity Additional Rent to Landlord on or prior to the thirtieth (30th) day after the date that Landlord gives to Tenant each such invoice. Tenant shall not have the right to object to Landlord's calculation of the Electricity Additional Rent unless Tenant gives Landlord notice of any such objection on or prior to the ninetieth (90th) day after the date that Landlord gives Tenant the applicable invoice for the Electricity Additional Rent. If

Tenant gives Landlord a notice objecting to Landlord's calculation of the Electricity Additional Rent, as aforesaid, then Tenant shall have the right to review Landlord's submeter readings and Landlord's calculation of the Electricity Additional Rent, at Landlord's offices or, at Landlord's option, at the offices of Landlord's managing agent, in either case at reasonable times and on reasonable advance notice to Landlord. Either party shall have the right to submit a dispute regarding the Electricity Additional Rent to an Expedited Arbitration Proceeding.

(D) Landlord shall have the right to give a statement to Tenant from time to time pursuant to which Landlord sets forth Landlord's good faith estimate of the Electricity Additional Rent for a particular calendar year (any such statement that Landlord gives to Tenant being referred to herein as a "Prospective Electricity Statement"; one-twelfth (1/12th) of the Electricity Additional Rent shown on a Prospective Electricity Statement being referred to herein as the "Monthly Electricity Payment Amount"). If Landlord gives to Tenant a Prospective Electricity Statement (or Landlord is deemed to have given to Tenant a Prospective Electricity Statement pursuant to Section 5.4(E) hereof), then Tenant shall pay to Landlord, as additional rent, on account of the Electricity Additional Rent due hereunder for such calendar year, the Monthly Electricity Payment Amount, on the first (1st) day of each subsequent calendar month for the remainder of such calendar year, in the same manner as the monthly installments of the Fixed Rent hereunder (it being understood that Tenant shall not be required to commence such payments of the Monthly Electricity Payment Amount (x) before the first (1st) day of the calendar year to which relates the applicable Monthly Electricity Payment Amount, or (y) earlier than the thirtieth (30^{th}) day after the date that Landlord gives the Prospective Electricity Statement to Tenant). If Landlord gives (or is deemed to have given) to Tenant a Prospective Electricity Statement after the first (1st) day of the applicable calendar year, then Tenant shall also pay to Landlord, within thirty (30) days after the date that Landlord gives the Prospective Electricity Statement to Tenant, an amount equal to the excess of (I) the product obtained by multiplying (x) the Monthly Electricity Payment Amount, by (y) the number of calendar months that have theretofore elapsed during such calendar year, over (II) the aggregate amount theretofore paid by Tenant to Landlord on account of the Electricity Additional Rent for such calendar year. If Landlord gives (or is deemed to have given) to Tenant a Prospective Electricity Statement for a particular calendar year, then Landlord shall also provide to Tenant, within one hundred eighty (180) days after the last day of such calendar year, an invoice for the Electricity Additional Rent for such calendar year based on an actual reading of the submeter or submeters (such invoice that is based on an actual reading of the submeter or submeters being referred to herein as an "Actual Reading Statement").

(E) Tenant shall pay to Landlord an amount equal to the excess (if any) of (i) the Electricity Additional Rent as reflected on the Actual Reading Statement that Landlord gives to Tenant, over (ii) the aggregate amount that Tenant has theretofore paid to Landlord on account of the Electricity Additional Rent (if any), within thirty (30) days after the date that Landlord gives such Actual Reading Statement to Tenant. Tenant shall have the right to credit against the Rental thereafter coming due hereunder an amount equal to the excess (if any) of (i) the aggregate amount that Tenant has theretofore paid to Landlord on account of the Electricity Additional Rent, over (ii) the Electricity Additional Rent as reflected on such Actual Reading Statement; provided, however, that if the Expiration Date occurs prior to the date that such credit

is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (it being understood that Landlord's obligation to make such payment to Tenant shall survive the Expiration Date). If Landlord gives Tenant an Actual Reading Statement, then, unless Landlord otherwise specifies in such Actual Reading Statement, Landlord shall be deemed to have given to Tenant a Prospective Electricity Statement, for the calendar year immediately succeeding the calendar year that is covered by such Actual Reading Statement, that reflects Electricity Additional Rent for such immediately succeeding calendar year in an amount equal to the Electricity Additional Rent for such calendar year that is covered by such Actual Reading Statement.

(F) If a submeter measuring Tenant's electrical demand and consumption in the Premises has not been installed in the Premises, or the submeters measuring Tenant's electrical demand and consumption in the Premises have not been installed in the Premises, in either case on or prior to the date that Landlord exercises the Submeter Conversion Right, then (x) Landlord shall order such submeter or such submeters promptly after the date that Landlord exercises the Submeter Conversion Right, and (y) Landlord shall install such submeter or such submeters promptly after the date that Landlord receives such submeter or submeters. Landlord, in installing such submeter or such submeters, shall have the right to interrupt electrical service to the Premises temporarily and in accordance with good construction practice.

(G) Subject to the terms of this Section 5.4(G), if (i) Landlord exercises the Submeter Conversion Right, and (ii) prior to Landlord's installing a submeter or the submeters in the Premises, Tenant commences the performance of the Initial Alterations, then Tenant shall pay to Landlord, as additional rent, a fee for electricity service in an amount equal to the product obtained by multiplying (I) $0.0045, by (II) the number of square feet of Rentable Area in the Premises (or the portion thereof in which Tenant is performing the Initial Alterations), by (III) the number of days in the period commencing on the date that Tenant so commences the Initial Alterations and ending on the earlier of (a) the date immediately preceding the date that Tenant first occupies the Premises (or the applicable portion thereof) for the conduct of business, and (b) the date immediately preceding the date that the submeter for the Premises (or the applicable portion thereof) is operational or the submeters for the Premises (or the applicable portion thereof) are operational. Landlord shall give Tenant an invoice for the aforesaid fee from time to time (but not less frequently than monthly). Tenant shall pay the aforesaid fee to Landlord on or prior to the thirtieth (30th) day after the date that Landlord gives each such invoice to Tenant.

(H) Subject to the terms of this Section 5.4(H), if (i) Landlord exercises the Submeter Conversion Right, and (ii) prior to Landlord's installing a submeter or submeters in the Premises, Tenant occupies all or any portion of the Premises for the conduct of business, then Tenant shall pay to Landlord, as additional rent, a fee for electricity service in an amount equal to the product obtained by multiplying (I) $0.0089 (which amount shall be increased on each anniversary of the Commencement Date to reflect the percentage increase, if any, in the Consumer Price Index from the Consumer Price Index that is in effect on Commencement Date), by (II) the number of square feet of Rentable Area in the Premises (or the portion thereof that Tenant is occupying for the conduct of business), by (III) the number of days in the period commencing on the date that Tenant occupies the Premises (or the applicable portion thereof) for

the conduct of business and ending on the date immediately preceding the date that the submeter for the Premises or the applicable portion thereof is operational or that the submeters for the Premises or the applicable portion thereof are operational (such fee being referred to herein as the "Electricity Inclusion Charge"). Landlord shall give Tenant an invoice for the Electricity Inclusion Charge from time to time (but not less frequently than monthly). Tenant shall pay the Electricity Inclusion Charge to Landlord on or prior to the thirtieth (30th) day after the date that Landlord gives each such invoice to

Tenant. If (I) the monthly amount that Tenant would have paid to Landlord as the Electricity Additional Rent for the period that Tenant occupies the Premises or the applicable portion thereof for the conduct of business prior to the date that the submeter is, or the submeters are, operational (as determined using the average monthly submeter readings for the period of three (3) months after the date that the submeter is, or the submeters are, operational), exceeds (II) the Electricity Inclusion Charge for any particular period of one (1) month, then Tenant shall pay to Landlord an amount equal to such excess for each such month within thirty (30) days after Landlord gives to Tenant an invoice therefor. If (I) the Electricity Inclusion Charge for any particular period of one (1) month, exceeds (II) the monthly amount that Tenant would have paid to Landlord as the Electricity Additional Rent for the period that Tenant occupies the Premises or the applicable portion thereof for the conduct of business prior to the date that the submeter is, or the submeters are, operational (as determined using the average monthly submeter readings for the period of three (3) months after the date that the submeter is, or the submeters are, operational), then Landlord, at Landlord's option, shall either (x) refund promptly to Tenant an amount equal to such excess for each such month, or (y) credit such excess for each such month against the monthly installments of Rental next becoming due and payable hereunder (together with interest on such excess calculated at the Base Rate from the date that Tenant is entitled to such credit). If Landlord gives Tenant such credit for such excess, and the Expiration Date occurs before the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date).

5.5. Termination of Electric Service.

(A) If Landlord is required by any Requirement to discontinue furnishing electricity to the Premises as contemplated by this Lease, then this Lease shall continue in full force and effect and shall be unaffected thereby, except that from and after the effective date of any such Requirement, (x) Landlord shall not be obligated to furnish electricity to the Premises, and (y) Tenant shall not be obligated to pay to Landlord the charges for electricity as described in this Article 5 (and, accordingly, if Landlord is then providing electricity to the Premises on a "rent inclusion" basis, the Fixed Rent shall be reduced by the Electricity Inclusion Factor that is then in effect).

(B) If Landlord discontinues Landlord's furnishing electricity to the Premises pursuant to a Requirement, then Tenant shall use Tenant's diligent efforts to obtain electricity for the Premises directly from the Utility Company. Tenant shall pay directly to the Utility Company the cost of such electricity. Tenant shall have the right to use the electrical facilities that then exist in the Building to obtain such direct electric service (without Landlord having any

liability or obligation to Tenant in connection therewith). Nothing contained in this Section 5.5 shall permit Tenant to use electrical capacity in the Building that exceeds the Base Electrical Capacity. Tenant, at Tenant's expense, shall make any additional installations that are required for Tenant to obtain electricity from the Utility Company.

(C) Landlord shall not discontinue furnishing electricity to the Premises as contemplated by this Section 5.5 (to the extent permitted by applicable Requirements) until Tenant obtains electric service directly from the Utility Company.

Article 6
INITIAL CONDITION OF THE PREMISES

6.1. Condition of Premises.

Subject to Section 8.1 hereof, (a) Tenant shall accept possession of the Premises in the condition that exists on the Commencement Date "as is," and (b) Landlord shall have no obligation to perform any work or make any installations in order to prepare the Building or the Premises for Tenant's occupancy. Except as expressly set forth herein, Landlord has made no representations or promises with respect to the Building, the Real Property or the Premises. On the Commencement Date, the Building Systems providing service to the Premises shall be in good working order.

Article 7
ALTERATIONS

7.1. General.

(A) Except as otherwise provided in this Article 7, Tenant shall not make any Alterations without Landlord's prior consent

(B) Tenant may make Decorative Alterations without Landlord's prior consent.

(C) The term "Alterations" shall mean alterations, installations, improvements, additions or other physical changes in each case in or to the Premises that are made by or on behalf of Tenant or any other Person claiming by, through or under Tenant.

(D) The term "Decorative Alterations" shall mean Alterations that constitute merely decorative changes to the Premises (such as, for example, the installation of carpeting or other customary floor coverings or painting or the installation of customary wall coverings) that in each case do not involve electrical, plumbing or mechanical connections.

(E) The term "Initial Alterations" shall mean the Alterations to prepare the Premises for Tenant's initial occupancy.

(F) The term "Specialty Alterations" shall mean Alterations that (i) perforate a floor slab in the Premises or a wall the encloses the core of the Building, (ii) require the reinforcement of a floor slab in the Premises, (iii) consist of the installation of a raised flooring system, (iv) consist of the installation of a vault or other similar device or system that is intended to secure the Premises or a portion thereof in a manner that exceeds the level of security that a reasonable Person uses for ordinary office space, or (v) involve material plumbing connections (such as kitchens and executive bathrooms outside of the Building core).

(G) The term "Substantial Completion" or words of similar import shall mean that the applicable work has been substantially completed in accordance with the applicable plans and specifications, if any, it being agreed that (i) such work shall be deemed substantially complete notwithstanding the fact that minor or insubstantial details of construction or demolition, mechanical adjustment or decorative items remain to be performed, and (ii) with respect to work that is being performed in the Premises, such work shall be deemed substantially complete only if the incomplete elements thereof do not interfere materially with Tenant's use and occupancy of the Premises for the conduct of business.

(H) The term "Tenant's Property" shall mean Tenant's personal property (other than fixtures), including, without limitation, Tenant's movable fixtures, movable partitions, telephone equipment, computer equipment, furniture, furnishings and decorations.

7.2. Basic Alterations.

(A) Subject to the terms of Section 7.1(B) hereof and Section 7.13 hereof, Landlord shall not unreasonably withhold, condition or delay its consent to any proposed Alteration, provided that such Alteration (i) does not materially affect the external aesthetic appearance of the Building at street level, (ii) does not affect adversely any part of the Building other than the Premises, (iii) does not require any alterations, installations, improvements, additions or other physical changes to be performed in or made to any portion of the Building other than the Premises, (iv) does not affect adversely the proper functioning of any Building System, (v) does not reduce the value or utility of the Building, (vi) does not affect adversely the structure of the Building, (vii) does not impede Landlord's access to Reserved Areas in any material respect, and (viii) does not violate or render invalid the certificate of occupancy for the Building or any part thereof (any Alteration that satisfies the requirements described in clauses (i) through (viii) above being referred to herein as a "Basic Alteration").

(B) Nothing contained in this Section 7.2 limits the provisions of Section 7.11 hereof.

7.3. Approval Process.

(A) Tenant shall not perform any Alteration (other than Decorative Alterations) unless Tenant first gives to Landlord a notice thereof (an "Alterations Notice") that (i) refers specifically to this Section 7.3, (ii) includes six (6) copies of the plans and specifications for the proposed Alteration (including, without limitation, layout, architectural,

mechanical and structural drawings, to the extent applicable) in CADD format that contain sufficient detail for Landlord and Landlord's consultants to reasonably assess the proposed Alteration, and (iii) indicates whether Tenant considers the proposed Alterations to constitute a Basic Alteration.

(B) Landlord shall have the right to object to a proposed Alteration only by giving notice thereof to Tenant, and setting forth in such notice a statement in reasonable detail of the grounds for Landlord's objections.

(C) Landlord shall have the right to (a) disapprove any plans and specifications for a particular Alteration in part, (b) reserve Landlord's approval of items shown on such plans and specifications pending Landlord's review of other plans and specifications that Tenant is otherwise required to provide to Landlord hereunder, and (c) condition Landlord's approval of such plans and specifications upon Tenant's making revisions to the plans and specifications or supplying additional information (which Landlord shall have the right to request only reasonably if the applicable Alteration constitutes a Basic Alteration). Nothing contained in this Section 7.3(C) limits the provisions of Section 7.2 hereof or Section 7.3(B) hereof.

(D) Tenant acknowledges that (i) the review of plans or specifications for an Alteration by or on behalf of Landlord, or (ii) the preparation of plans or specifications for an Alteration by Landlord's architect or engineer (or any architect or engineer designated by Landlord), is solely for Landlord's benefit, and, accordingly, Landlord makes no representation or warranty that such plans or specifications comply with any Requirements or are otherwise adequate or correct.

7.4. Performance of Alterations.

(A) Tenant, at Tenant's expense, prior to the performance of any Alteration, shall obtain all permits, approvals and certificates required by any Governmental Authorities in connection therewith. Landlord shall have the right to require Tenant to make all filings with Governmental Authorities to obtain such permits, approvals and certificates using an expeditor designated reasonably by Landlord (provided that the charges imposed by such expeditor are commercially reasonable). Landlord shall execute any applications for any permits, approvals or certificates required to be obtained by Tenant in connection with any permitted Alteration (provided that the applicable Requirement requires Landlord to execute such application) within ten (10) Business Days after Tenant's request from time to time and shall otherwise cooperate reasonably with Tenant in connection therewith. Tenant shall not have the right to require Landlord to so execute such applications prior to the date that Landlord approves the applicable Alteration. Tenant shall reimburse Landlord for any reasonable Out-of-Pocket Costs, including, without limitation, reasonable attorneys' fees and disbursements, that Landlord incurs in so executing such applications and cooperating with Tenant, within thirty (30) days after the date that Landlord gives to Tenant an invoice therefor from time to time.

(B) Prior to performing any Alteration, Tenant shall also furnish to Landlord duplicate original policies of, or, at Tenant's option, certificates of, (1) worker's compensation

insurance in amounts not less than the statutory limits (covering all persons to be employed by Tenant, and Tenant's contractors and subcontractors, in connection with such Alteration), and (2) commercial general liability insurance (including property damage and bodily injury coverage), in each case in customary form, and in amounts that are not less than Five Million Dollars ($5,000,000) with respect to general contractors and One Million Dollars ($1,000,000) with respect to subcontractors, naming the Landlord Indemnitees as additional insureds; provided, however, that on each anniversary of the Commencement Date, the aforesaid amounts shall be adjusted to reflect the percentage increase in the Consumer Price Index from the Consumer Price Index that is in effect on the Commencement Date. Landlord acknowledges that Tenant's contractors and subcontractors may satisfy the liability insurance requirements as set forth in this Section 7.4(B) with an umbrella insurance policy if such umbrella insurance policy contains an aggregate per location endorsement that provides the required level of protection for the Premises.

(C) Within thirty (30) days after the Substantial Completion of each Alteration (other than Decorative Alterations), Tenant, at Tenant's expense, shall (1) obtain certificates of final approval for each Alteration to the extent required by any Governmental Authority, (2) furnish Landlord with copies of such certificates, and (3) give to Landlord copies of the "as-built" plans and specifications for such Alterations in CADD format.

(D) All Alterations (other than Decorative Alterations) shall be made and performed substantially in accordance with the plans and specifications therefor as approved by Landlord. All Alterations shall be made and performed in accordance with all Requirements and the Rules. All materials and equipment incorporated in the Premises as a result of any Alterations shall be first-quality.

7.5. Financial Integrity.

(A)

(1) Tenant shall not permit any materials or equipment that are incorporated as fixtures into the Premises in connection with any Alterations to be subject to any lien, encumbrance, chattel mortgage or title retention or security agreement.

(2) Subject to the terms of Section 7.5(A)(3) hereof, Tenant shall not make any Alteration at a cost for labor and materials (as reasonably estimated by Landlord's architect, engineer or contractor) in excess of Fifty Thousand Dollars ($50,000), either individually or in the aggregate with any other Alterations constructed in any particular period of twelve (12) consecutive months, prior to Tenant's delivering to Landlord a performance bond and a payment bond that covers Tenant's obligation to pay the applicable contractor and the applicable contractor's obligation to pay its subcontractors (in either case issued by a surety company and in form reasonably satisfactory to Landlord), each in an amount equal to one hundred twenty percent (120%) of such estimated cost; provided, however, that on each anniversary of the Commencement Date, the aforesaid amount of Fifty Thousand Dollars ($50,000) shall be adjusted to reflect the percentage increase in the Consumer Price Index from the Consumer Price Index that is in effect on the Commencement Date.

(3) If Tenant is obligated to deliver a performance bond and a payment bond to Landlord as provided in Section 7.5(A)(2) hereof, then Tenant shall have the right to deposit with Landlord an amount in cash equal to the amount of such bonds that is otherwise required by Section 7.5(A)(2) hereof (such amount in cash being referred to herein as the "Work Deposit"). If Tenant deposits the Work Deposit with Landlord, then (i) Tenant shall not have the obligation to deliver to Landlord the performance bond and the payment bond as provided in Section 7.5(A)(2) hereof for the applicable Alteration, and (ii) Landlord shall disburse the Work Deposit (or the applicable portion thereof) to Tenant or Tenant's designee from time to time, within ten (10) days after Tenant's request therefor (but in no event more frequently than once during any particular calendar month), provided that Tenant delivers to Landlord, simultaneously with each such disbursement, waivers of lien from all contractors, subcontractors, materialmen, architects, engineers and other Persons who may file a lien against the Real Property for material theretofore supplied, or labor or services theretofore performed, in connection with the applicable Alterations. If any mechanic's lien is filed against the Real Property for work claimed to have been done for, or for materials claimed to have been furnished to, Tenant (or any Person claiming by, through or under Tenant), then Landlord shall have the right (but not the obligation) to use the Work Deposit to discharge such mechanic's lien. Nothing contained in this Section 7.5(A)(3) diminishes Tenant's obligations under Section 7.5(A)(4) hereof. Landlord shall pay to Tenant any remaining balance of the Work Deposit for a particular Alteration within ten (10) days after the date that (x) Tenant has Substantially Completed the applicable Alteration, and (y) Tenant has delivered to Landlord waivers of lien from all contractors, subcontractors, materialmen, architects, engineers and other Persons who may file a lien against the Real Property in connection with such Alterations.

(4) Tenant shall discharge of record any mechanic's lien that is filed against the Real Property for work claimed to have been done for, or for materials claimed to have been furnished to, Tenant (or any Person claiming by, through or under Tenant) within fifteen (15) days after Tenant has received notice of filing thereof, at Tenant's expense, by payment or filing the bond required by law. Nothing contained in this Section 7.5(A)(4) (x) limits Tenant's right to challenge the claim that is made by the Person that files a mechanic's lien, provided that Tenant discharges such lien of record as aforesaid, or (y) obligates Tenant to discharge of record any mechanic's lien that derives from Landlord's acts or omissions.

(B) Subject to the terms of this Section 7.5(B), within thirty (30) days after the Substantial Completion of any Alterations (other than Decorative Alterations), Tenant shall deliver to Landlord: (i) waivers of lien from all contractors, subcontractors, materialmen, architects, engineers and other Persons who may file a lien against the Real Property in connection with such Alterations, and (ii) a certificate from a licensed architect that Tenant engages in accordance with the terms of this Article 7 certifying that, in his or her opinion, the Alterations have been Substantially Completed in substantial accordance with the final detailed plans and specifications for such Alterations as approved by Landlord. Tenant shall not be required to deliver to Landlord any waiver of lien if Tenant is disputing in good faith the

payment which would otherwise entitle Tenant to such waiver, provided that (x) Tenant keeps Landlord advised in a timely fashion of the status of such dispute and the basis therefor, and (y) Tenant delivers to Landlord the waiver of lien promptly after the date that the dispute is settled. Nothing contained in this Section 7.5(B), however, shall relieve Tenant from complying with the provisions of Section 7.5(A)(4) hereof.

7.6. Effect on Building.

If (i) as a result of any Alterations, any alterations, installations, improvements, additions or other physical changes are required to be performed in or made to any portion of the Building other than the Premises in order to comply with any Requirements (any such alterations, installations, improvements, additions or changes being referred to herein as a "Building Change"), and (ii) such Building Change would not otherwise have had to be performed or made pursuant to applicable Requirements at such time, then (x) Landlord may perform such Building Change, and (y) Tenant shall pay to Landlord the reasonable Out-of-Pocket Costs thereof, as additional rent, within thirty (30) days after Landlord gives to Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein. Landlord shall seek to accomplish any such Building Change that minimizes the cost thereof to the extent reasonably practicable. Landlord shall give Tenant reasonable advance notice of Landlord's performance of the Building Change, and shall consult reasonably from time to time with Tenant in connection therewith (with the understanding that such consultations shall include, without limitation, Landlord's providing Tenant with the information that Landlord has in its possession regarding the expected cost of such Building Change).

7.7. Time for Performance of Alterations.

If the performance of any Alteration by or on behalf of Tenant, or any other Person claiming by, through or under Tenant, during Building Hours interferes with or interrupts the maintenance, repair, management or operation of the Building in any material respect or interferes with or interrupts the use and occupancy of the Building by other tenants in the Building in any material respect, then Landlord shall have the right to require Tenant to perform such Alteration at other times that Landlord reasonably designates from time to time.

7.8. Removal of Alterations and Tenant's Property.

(A) On or prior to the Expiration Date, Tenant, at Tenant's expense, shall remove Tenant's Property from the Premises, and, at Tenant's option, Tenant also may remove, at Tenant's expense, all Alterations made by or on behalf of Tenant or any other Person claiming by, through or under Tenant; provided, however, in any case, that Tenant shall repair and restore in a good and workmanlike manner to good condition any damage to the Premises or the Building caused by such removal except that Landlord shall not have the right to require Tenant to remove any Qualified Alterations. Landlord, upon notice to Tenant given at least sixty (60) days prior to the Expiration Date, may require Tenant to remove any Specialty Alterations from the Premises, and to repair and restore in a good and workmanlike manner to good condition any damage to the Premises or the Building caused by such removal. If (x) the Expiration Date is not

the Fixed Expiration Date, and (y) Landlord gives a notice to Tenant on or prior to the thirtieth (30th) day after the Expiration Date to the effect that Landlord does not wish to retain a particular Specialty Alteration, then Tenant shall pay to Landlord the reasonable Out-of-Pocket Costs that are incurred by Landlord in so removing such Specialty Alterations, and in so repairing and restoring any such damage to the Building or the Premises, within thirty (30) days after Landlord submits to Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein; provided, however, that Landlord shall not have the right to give any such notice to Tenant in respect of Qualified Alterations. Any Alterations that remain in the Premises after the Expiration Date shall be deemed to be the property of Landlord (with the understanding, however, that Tenant shall remain liable to Landlord for any default of Tenant in respect of Tenant's obligations under this Section 7.8).

(B) Prior to Tenant's performance of a Specialty Alteration, Tenant shall have the right to request (simultaneously with Tenant's submission to Landlord of plans and specifications for such Specialty Alteration) that Landlord advise that Tenant shall not be required to remove (or pay the cost to remove) such Specialty Alteration upon the Expiration Date or earlier termination of the Term, provided, however, that such request shall state in bold capital letters as follows: **"LANDLORD TO ADVISE TENANT IF LANDLORD WILL NOT REQUIRE TENANT TO REMOVE THE SPECIALTY ALTERATION DESCRIBED HEREIN AT THE EXPIRATION OR EARLIER TERMINATION OF THE TERM."** Landlord shall have the right to approve or deny any such request in Landlord's sole discretion. If (i) Tenant makes any such request, and (ii) Landlord advises Tenant that removal shall not be required, then Landlord shall not have the right to require Tenant to remove (or pay the cost to remove) such Specialty Alteration upon the Expiration Date or earlier termination of the Term (any such Specialty Alteration which Tenant shall not be required to remove (or to pay the cost of removal) as aforesaid being referred to herein as a "Qualified Alteration").

7.9. Contractors and Supervision.

(A) All Alterations (other than Decorative Alterations) shall be performed only under the supervision of a licensed architect that Landlord approves, which approval Landlord shall not unreasonably withhold, condition or delay.

(B) Subject to the provisions of this Section 7.9(B), Tenant shall perform all Alterations (other than Decorative Alterations) using contractors, subcontractors, engineers and mechanics that in each case Landlord designates from time to time and charge commercially reasonable prices. Landlord shall give Tenant a notice containing a list of such contractors, such subcontractors and such engineers that Landlord designates promptly after Tenant's request therefor from time to time (it being understood that Landlord shall include in such list the names of at least three (3) subcontractors for each trade and at least three (3) general contractors).

7.10. Landlord's Expenses.

Tenant shall pay to Landlord, from time to time, as additional rent, the reasonable Out-of-Pocket Costs incurred by Landlord in connection with an Alteration (other than Decorative Alterations) (including, without limitation, the reasonable Out-of-Pocket Costs that Landlord incurs in reviewing the plans and specifications for such Alterations, and inspecting the progress of such Alterations), within thirty (30) days after Landlord gives Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein.

7.11. Window Coverings.

Tenant shall install on the windows of the Premises only the curtains, blinds, shades or screens that Landlord approves, which approval Landlord shall not unreasonably withhold, condition or delay (it being understood that Landlord, in considering whether to grant such approval, shall have the right to take into account the impact of Tenant's proposed installation on the exterior appearance of the Building).

7.12. Air-Cooled HVAC Installations.

Tenant shall not have the right to install a supplementary HVAC system for the Premises that requires vents or louvers to be installed on the exterior of the Building.

7.13. Sprinkler Installation

Subject to the terms of this Section 7.13, if Tenant, at any time during the Term, makes an Alteration that involves the removal of all or substantially all of the finished ceiling in the Premises (or a material portion thereof) (any such Alteration being referred to herein as a "Ceiling Alteration"), then Tenant, at Tenant's cost, shall install in the plenum above the finished ceiling in the Premises (or such portion thereof), as part of the Ceiling Alteration, the piping and

sprinkler heads for a fire suppression system in the Premises (or such portion thereof) in accordance with standards that are employed customarily in designing and installing such fire suppression systems in first-class office buildings (such piping and sprinkler heads being referred to herein as a "Sprinkler Distribution System"). Tenant's installation of a Sprinkler Distribution System shall itself constitute an Alteration for purposes of this Article 7. Landlord shall have the right to condition Landlord's approval of the Ceiling Alteration upon Tenant's performance of the Alteration for the installation of a Sprinkler Distribution System. If Tenant makes a Ceiling Alteration, then Tenant shall install a Sprinkler Distribution System as provided in this Section 7.13 regardless of whether (x) a Requirement then requires a Sprinkler Distribution System to be installed, or (y) a standpipe system exists in the core of the Building to which Tenant has access to attach the Sprinkler Distribution System. If (x) Tenant installs a Sprinkler Distribution System as provided in this Section 7.13, and (y) such standpipe system exists in the Building (either at the time that Tenant installs the Sprinkler Distribution System or at a subsequent time during the Term), then Tenant, at Tenant's cost, shall connect the Sprinkler Distribution System to such standpipe system as an Alteration. Nothing contained in this Section 7.13 obligates Tenant to (x) perform a Ceiling Alteration in the Premises, or (y) install a Sprinkler Distribution

System to the extent that a Sprinkler Distribution System is already installed in the Premises (or the applicable portion thereof). Nothing contained in this Section 7.13 diminishes Tenant's obligation to make Alterations in the Premises to the extent required by Section 11.1 hereof.

Article 8
REPAIRS

8.1. Landlord's Repairs.

Subject to the terms of this Article 8 and to Article 15 hereof and Article 16 hereof, Landlord shall maintain and make all necessary repairs to and replacements of (i) the Building Systems that service the Premises, (ii) the structural portions of the Building, (iii) the roof of the Building, (iv) the sidewalks that are adjacent to the Building, (v) the exterior walls of the Premises, (vi) the windows of the Premises, (vii) the public portions of the Building, and (viii) the Premises (to the extent that the necessity for such repair derives from a Work Access) in each case in conformity with the standards that are customary for first-class office buildings in the vicinity of the Building. Nothing contained in this Section 8.1 requires Landlord to maintain or repair the systems within the Premises that distribute within the Premises electricity, HVAC or water.

8.2. Tenant's Repairs.

(A) Subject to the terms of this Article 8 and to Article 15 hereof and Article 16 hereof, Tenant, at Tenant's expense, shall take good care of the Premises (including, without limitation, (i) the fixtures and equipment that are installed in the Premises on the Commencement Date, (ii) the Alterations, and (iii) the systems within the Premises that distribute within the Premises electricity, HVAC or water). Tenant shall make all repairs to the Premises as and when needed to preserve the Premises in good condition, except for reasonable wear and tear, obsolescence and damage for which Tenant is not responsible pursuant to the provisions of Article 15 hereof. Nothing contained in this Section 8.2(A) shall require Tenant to perform any repairs to the Premises that are Landlord's obligation to perform under Section 8.1 hereof. All repairs made by Tenant as contemplated by this Section 8.2(A) shall be in conformity with the standards that are customary for first-class office buildings in the vicinity of the Building. Tenant shall perform such repairs in accordance with the terms of Article 7 hereof.

(B) Subject to the terms of this Section 8.2(B), if (a) Landlord gives Tenant a notice that Tenant has failed to perform a repair that this Section 8.2 obligates Tenant to perform, and (b) Tenant fails to proceed with reasonable diligence to make such repair within thirty (30) days after the date that Landlord gives such notice to Tenant (or such shorter period that Landlord designates in such notice to the extent reasonably required under the circumstances to alleviate an imminent threat to persons or property), then (i) Landlord may make such repair, and (ii) Tenant shall pay to Landlord, as additional rent, the reasonable Out-of-Pocket Expenses thereof, with interest thereon at the Applicable Rate calculated from the date that Landlord incurs such expenses, within thirty (30) days after Landlord gives Tenant an invoice therefor together

with reasonable supporting documentation for the charges set forth therein. If (x) a particular repair that this Section 8.2 obligates Tenant to perform cannot be performed with reasonable diligence during the aforesaid period of thirty (30) days (or during such shorter period that Landlord designates, as the case may be), and (y) Tenant commences such repair during such period of thirty (30) days (or such shorter period that Landlord designates), then Landlord shall not have the right to perform such repair on Tenant's behalf as otherwise described in this Section 8.2(B) unless Tenant fails to pursue such repair with reasonable continuity and diligence. Nothing contained in this Section 8.2(B) limits the remedies that are available to Landlord after the occurrence of an Event of Default.

8.3. Certain Limitations.

(A) Tenant, at Tenant's expense, shall repair in accordance with the terms set forth in Section 8.2 hereof all damage to the Premises, or to any other part of the Building or the Building Systems, in each case to the extent resulting from the negligence or willful misconduct of, or Alterations made by, Tenant or any other Person claiming by, through or under Tenant; provided, however, that Landlord shall have the right to perform any such repair to the extent that such repair affects the structure of the Building or such repair affects any Building System, in which case Tenant shall pay to Landlord an amount equal to the Out-of-Pocket Costs that Landlord reasonably incurs in performing such repair, on or prior to the thirtieth (30th) day after the date that Landlord gives to Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein. Nothing contained in this Section 8.3(A) limits the provisions of Section 14.3 hereof.

(B) Landlord, at Landlord's expense, shall repair promptly all damage to the Premises that results from Landlord's negligence or willful misconduct. Nothing contained in this Section 8.3(B) limits the provisions of Section 14.3 hereof.

8.4. Overtime.

Subject to the provisions of this Section 8.4, Landlord shall have no obligation to employ contractors or labor at overtime or premium pay rates in connection with Landlord's making repairs as contemplated by this Article 8. If Landlord's repair (or the condition that Landlord is required to repair)

(i) denies Tenant from having reasonable access to the Premises, (ii) threatens the health or safety of any occupant of the Premises, or (iii) materially interferes with Tenant's ability to conduct its business in the Premises during Tenant's ordinary business hours, then Landlord shall employ contractors or labor at overtime or premium pay rates to the extent reasonably necessary. Landlord, at Tenant's request, shall also perform any other repair that this Article 8 requires Landlord to perform, to the extent reasonably practicable, using contractors or labor at overtime or premium pay rates, in which case Tenant shall pay to Landlord, as additional rent, an amount equal to the excess of (x) the Out-of-Pocket Costs that Landlord incurs in performing such repair (using contractors or labor at overtime or premium pay rates), over (y) the Out-of-Pocket Costs that Landlord would have incurred in performing such repair without using contractors at overtime or premium pay rates, within thirty (30) days after the date that Landlord gives to Tenant an invoice therefor together with reasonable supporting documentation

for the charges set forth therein (it being understood that if more than one tenant requests that Landlord perform any such repair using contractors or labor at overtime or premium pay rates, then Landlord shall allocate such costs among such tenants equitably).

Article 9
ACCESS; LANDLORD'S CHANGES

9.1. Access.

(A) Subject to the terms of this Lease, Tenant, during the Term, shall have access to the Premises at all times, twenty-four (24) hours per day, every day of the year.

(B) Subject to the terms of this Section 9.1(B), Landlord and Landlord's designees may enter the Premises at reasonable times upon reasonable prior notice to Tenant (which notice may be given verbally to the person employed by Tenant with whom Landlord's representative ordinarily discusses matters relating to the Premises) to (i) examine the Premises, (ii) show the Premises to prospective tenants during the last eighteen (18) months of the Term, (iii) show the Premises to prospective purchasers or master lessees of Landlord's interest in the Real Property, (iv) show the Premises to Mortgagees or Lessors (or prospective Mortgagees or Lessors), (v) gain access to Reserved Areas, or (vi) make repairs, alterations, improvements, additions or restorations that (I) Landlord is required to make pursuant to the terms of this Lease, or (II) are reasonably necessary in connection with the maintenance, repair, or operation of the Real Property (Landlord's entry upon the Premises to perform such repairs, alterations, improvements, additions or restorations being referred to herein as a "Work Access"). Tenant shall have the right at all times, other than during an emergency, to have an employee (which employee shall be designated in a notice given to Landlord by Tenant), accompany Landlord during such Work Access to the extent reasonably practical. Notwithstanding anything to the contrary contained herein, Landlord's entry into the Premises, pursuant to the terms of this Section 9.1, shall not be limited, restricted or delayed in any way in the event that such employee is unavailable to accompany Landlord. Landlord shall not be required to give Tenant advance notice of the entry by Landlord or Landlord's designees into the Premises as contemplated by this Section 9.1(B) to the extent necessary by reason of the occurrence of an emergency (with the understanding, however, that Landlord shall give Tenant notice of such emergency access as promptly as reasonably practicable thereafter). Landlord, in connection with a Work Access, shall have the right to bring into the Premises, and store in the Premises in a reasonable manner for the duration of the Work Access, the materials and tools that Landlord reasonably requires to perform the applicable repair, alteration, improvement, addition or restoration. Except as expressly set forth in this Lease, Landlord shall have no liability to Tenant for any loss sustained by Tenant by reason of Landlord's entry upon the Premises; provided, however, that (w) nothing contained in this Section 9.1(B) diminishes Landlord's obligation to repair the Premises (to the extent that the necessity for such repair derives from a Work Access) as provided in Section 8.1 hereof, and (x) subject to Section 14.3 hereof, Landlord shall remain liable to Tenant for personal injury or property damage that derives from Landlord's negligence or wilful misconduct in connection with any such entry upon the Premises.

9.2. Landlord's Obligation to Minimize Interference.

(A) Subject to Section 9.2(B) hereof, Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use of the Premises in connection with Landlord's accessing the Premises as contemplated by Section 9.1 hereof.

(B) Subject to the provisions of this Section 9.2(B), Landlord shall have no obligation to employ contractors or labor at overtime or premium pay rates in connection with a Work Access as contemplated by this Article 8. If a Work Access (i) denies Tenant from having reasonable access to the Premises, (ii) threatens the health or safety of any occupant of the Premises, or (iii) materially interferes with Tenant's ability to conduct its business in the Premises during Tenant's ordinary business hours, then Landlord shall employ contractors or labor at overtime or premium pay rates to the extent reasonably necessary. Landlord, at Tenant's request, shall also conduct a Work Access, to the extent reasonably practicable, using contractors or labor at overtime or premium pay rates, in which case Tenant shall pay to Landlord, as additional rent, an amount equal to the excess of (x) the Out-of-Pocket Costs that Landlord incurs in conducting such Work Access (using contractors or labor at overtime or premium pay rates), over (y) the Out-of-Pocket Costs that Landlord would have incurred in conducting such Work Access without using contractors at overtime or premium pay rates, within thirty (30) days after the date that Landlord gives to Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein (it being understood that if more than one tenant requests that Landlord conduct such Work Access using contractors or labor at overtime or premium pay rates, then Landlord shall allocate such costs among such tenants equitably).

9.3. Reserved Areas.

The Premises shall not include (i) the demising walls of the Premises (except for the interior face thereof), (ii) the walls of the Premises that constitute the curtain wall for the Building (except for the interior face thereof), (iii) balconies, terraces and roofs that are adjacent to the Premises, and (iv) space that is used for Building Systems or other purposes associated with the operation, repair, management or maintenance of the Real Property, including, without limitation, shafts, stacks, stairways, chutes, pipes, conduits, ducts, fan rooms, mechanical rooms, plumbing facilities, and service closets (the areas described in clauses (iii) and (iv) above being collectively referred to herein as the "Reserved Areas").

9.4. Ducts, Pipes and Conduits.

Landlord shall have the right to install, use and maintain ducts, cabling, pipes and conduits in and through the Premises, provided that (a) such ducts, cabling, pipes and conduits are concealed within or above partitioning columns, walls or ceilings, except that if such ducts, cabling, pipes or conduits are installed in areas that are utility areas (such as storage areas, mailrooms or mud rooms), then such ducts, cabling, pipes or conduits may also be installed on partitioning walls, columns or ceilings, (b) such ducts, cabling, pipes and conduits do not reduce the usable area of the Premises by more than a de minimis amount, and (c) Landlord installs such

ducts, cabling, pipes and conduits in a manner that minimizes, to the extent reasonably practicable, any adverse effect on an Alteration theretofore performed in the Premises. If Landlord requires access to the Premises to make the installations as contemplated by this Section 9.4, then Landlord shall perform such installations in accordance with the terms hereof that govern a Work Access.

9.5. Keys.

Tenant shall provide Landlord, from time to time, with the keys to the Premises (or with the appropriate means to access the Premises using Tenant's electronic security systems).

9.6. Landlord's Changes.

(A) Subject to Section 9.6(B) hereof, Tenant shall have the right to use, in common with the other occupants of the Building, the portions of the Building that Landlord dedicates from time to time as common area for the general use of the occupants of the Building.

(B) Landlord, from time to time, shall have the right to change the arrangement or location of the public portions of the Building, including, without limitation, lobbies, entrances, passageways, doors, corridors, stairs and toilets that in each case are not located in the Premises, provided any such change does not (a) unreasonably reduce or unreasonably interfere with Tenant's access to the Building or the Premises, (b) reduce the floor area of the Premises (except to a de minimis extent), or (c) reduce to a material extent the level or quality of services that are available to Tenant on the Commencement Date.

(C) Landlord, from time to time, shall have the right to change, or reduce the number of, the passenger or freight elevators serving the Premises, provided that such change or reduction does not reduce to a material extent the passenger or freight elevator service standards that the passenger and freight elevators meet on the date hereof.

(D) Landlord, from time to time, shall have the right to change the name, number or designation by which the Building is commonly known.

(E)

(1) Landlord shall have the right, from time to time, to close, obstruct or darken the windows of the Premises temporarily to the extent required to comply with a Requirement or to perform repairs, maintenance, alterations, or improvements to the Building. Landlord shall have the right to close, obstruct or darken the windows of the Premises permanently to the extent required to comply with a Requirement that does not become applicable to the Building by virtue of Landlord's performance of elective construction in the Building.

(2) If, at any time, the windows of the Premises are closed, obstructed or darkened temporarily, as aforesaid, then Landlord shall perform (or cause to be performed) such repairs, maintenance, alterations or improvements, or shall comply with the applicable

Requirement (or cause such Requirement to be complied with), in each case with reasonable diligence, and otherwise take such action as may be reasonably necessary to minimize the period during which such windows are temporarily closed, obstructed or darkened (it being understood, however, that subject to Section 8.4 hereof, Landlord shall not be required to perform such repairs, maintenance, alterations or improvements using contractors or labor at overtime or premium pay rates).

Article 10
UNAVOIDABLE DELAYS AND INTERRUPTION OF SERVICE

10.1. Unavoidable Delays.

Subject to Article 15 hereof and Article 16 hereof, this Lease and the obligation of Tenant to pay Rental hereunder and to perform all of Tenant's other covenants shall not be affected, impaired or excused, and Landlord shall not have any liability to Tenant, to the extent that Landlord is unable to perform Landlord's covenants under this Lease by reason of any cause beyond Landlord's reasonable control, including, without limitation, strikes, labor troubles, acts of terrorism or the occurrence of an act of God; provided, however, that Landlord shall not have the right to claim under this Section 10.1 that Landlord's failure to have funds available to make a payment of money constitutes an excuse for Landlord's performance of an obligation of Landlord hereunder.

10.2. Interruption of Services.

Landlord, from time to time, shall have the right to interrupt or curtail the level of service provided by the Building Systems to the extent reasonably necessary to accommodate the performance of repairs, additions, alterations, replacements or improvements that in Landlord's reasonable judgment are desirable or necessary. Landlord shall give Tenant reasonable advance notice of any such interruption or curtailment (to the extent that Landlord does not need to arrange for such interruption or curtailment to manage an emergency) and schedule any such interruption or curtailment at times that minimizes, to the extent reasonably practicable, the effect of such interruption or curtailment on Tenant's ability to conduct its business in the Premises during Tenant's ordinary business hours. If such interruption or curtailment of the level of service provided by the Building Systems (i) denies Tenant from having reasonable access to the Premises, (ii) threatens the health or safety of any occupant of the Premises, or (iii) materially interferes with Tenant's ability to conduct its business in the Premises during Tenant's ordinary business hours, then Landlord shall employ contractors or labor at overtime or premium pay rates to the extent reasonably

necessary. Landlord, at Tenant's request, shall also schedule any such interruption or curtailment, to the extent reasonably practicable, using contractors or labor at overtime or premium pay rates, in which case Tenant shall pay to Landlord, as additional rent, an amount equal to the excess of (x) the Out-of-Pocket Costs that Landlord incurs in so scheduling such interruption or curtailment (using contractors or labor at overtime or premium pay rates), over (y) the Out-of-Pocket Costs that Landlord would have incurred in scheduling such interruption or curtailment without using contractors at overtime or premium pay rates,

within thirty (30) days after the date that Landlord gives to Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein (it being understood that if more than one tenant requests that Landlord conduct such Work Access using contractors or labor at overtime or premium pay rates, then Landlord shall allocate such costs among such tenants equitably).

Article 11
REQUIREMENTS

11.1. Tenant's Obligation to Comply with Requirements.

(A) Subject to the terms of this Article 11, Tenant, at Tenant's expense, shall comply with all Requirements applicable to the Premises, including, without limitation, (i) Requirements that are applicable to the performance of Alterations, (ii) Requirements that become applicable by reason of Alterations having been performed, and (iii) Requirements that are applicable by reason of the specific nature or type of business operated by Tenant (or any other Person claiming by, through or under Tenant) in the Premises. Tenant shall not be required to make any Alteration or other changes to the structural components of the Building or to the Building Systems in either case to comply with any Requirement unless (a) such Alteration or other change is required by reason of Alterations having been performed by Tenant (or another Person claiming by, through or under Tenant), (b) such Alteration or other change is required by reason of the specific nature of the use of the Premises by Tenant (or such other Person) (as opposed to the use of the Premises for the general purposes otherwise permitted under Section 3.1 hereof) or (c) such Alteration or other change is required to install, modify, or replace any fire suppression device or system in the Premises (including, without limitation, sprinkler systems).

(B) The term "Requirements'' shall mean, collectively, (i) all present and future laws, rules, orders, ordinances, regulations, statutes, requirements, codes and executive orders of all Governmental Authorities, and of any applicable fire rating bureau, or other body exercising similar functions, and (ii) all requirements that the issuer of Landlord's Property Policy imposes (including, without limitation, any such requirements that such issuer requires as the basis for the premium that such issuer charges Landlord for Landlord's Property Policy), provided that such requirements that the issuer of Landlord's Property Policy imposes are reasonably consistent with the requirements imposed by reputable insurers of comparable properties in The City of New York.

(C) The term "Governmental Authority" shall mean the United States of America, the State of New York, The City of New York, any political subdivision thereof and any agency, department, commission, board, bureau or instrumentality of any of the foregoing, or any quasi-governmental authority, now existing or hereafter created, having jurisdiction over the Real Property or any portion thereof.

(D) Subject to the terms of this Section 11.1(D), if (a) Landlord gives Tenant a notice that Tenant has failed to comply with a Requirement as required by this Section 11.1, and (b) Tenant fails to proceed with reasonable diligence to comply with such Requirement within twenty (20) days after the date that Landlord gives such notice to Tenant (or such shorter period that Landlord designates in such notice to the extent reasonably required under the circumstances to alleviate an imminent threat to persons or property), then (i) Landlord may perform the work and otherwise take steps that are required to comply with such Requirement, and (ii) Tenant shall pay to Landlord, as additional rent, the reasonable Out-of-Pocket Expenses thereof, with interest thereon at the Applicable Rate calculated from the date that Landlord incurs such expenses, within thirty (30) days after Landlord gives Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein. If (x) Tenant's compliance with a particular Requirement as required by this Section 11.1 cannot be accomplished with reasonable diligence during the aforesaid period of twenty (20) days (or during such shorter period that Landlord designates, as the case may be), and (y) Tenant commences such compliance during such period of twenty (20) days (or such shorter period that Landlord designates), then Landlord shall not have the right to perform the work and otherwise take steps that are required to comply with such Requirement on Tenant's behalf as otherwise described in this Section 11.1(D) unless Tenant fails to pursue such compliance with reasonable continuity and diligence. Nothing contained in this Section 11.1(D) limits the remedies that are available to Landlord after the occurrence of an Event of Default.

11.2. Landlord's Obligation to Comply with Requirements.

Landlord shall comply with all Requirements applicable to the Premises and the Building (including, without limitation, Requirements in respect of which the violation thereof impedes Tenant's performance of Alterations in the Premises) other than the Requirements with respect to which Tenant is required to comply pursuant to Section 11.1 hereof, subject, however, to Landlord's right to contest in good faith the applicability or legality thereof (provided that Landlord's contesting such Requirements does not interfere in any material respect with Tenant's use and occupancy of the Premises).

11.3. Certificate of Occupancy.

(A) Subject to the terms of this Section 11.3(A), Landlord covenants that from and after the Commencement Date a temporary or permanent certificate of occupancy covering the Premises (or such other certificate as may be required by Requirements from time to time to lawfully occupy the Premises) shall be in full force and effect permitting the Premises to be used for the general purposes that are permitted under Article 3 hereof. Nothing contained herein constitutes Landlord's covenant, representation or warranty that the Premises or any part thereof lawfully may be used or occupied for any particular purpose or in any particular manner; provided, however, that Landlord shall not have the right to amend the certificate of occupancy for the Premises (or such other certificate as may be required by Requirements from time to time to lawfully occupy the Premises) in a manner that limits the uses that Tenant may perform in the Premises in accordance with Article 3 hereof. Landlord shall have no liability to Tenant under this Section 11.3(A) to the extent such certificate of occupancy (or such other certificate) is not in full force and effect by reason of Tenant's default hereunder or by reason of Alterations.

(B) Tenant shall use the Premises only in a manner that conforms with the certificate of occupancy that is in effect for the Premises. Tenant shall not have the right to amend the certificate of occupancy for the Premises or the Building without Landlord's prior approval.

Article 12
QUIET ENJOYMENT

12.1. Quiet Enjoyment.

Landlord covenants that Tenant may peaceably and quietly enjoy the Premises for the Term, subject, nevertheless, to the terms and conditions of this Lease.

Article 13
SUBORDINATION

13.1. Subordination.

(A) This Lease shall be subject and subordinate to the priority of each Superior Lease that hereafter exists (and does not exist as of the date hereof) in respect of which the Lessor is not an Affiliate of Landlord. This Lease shall be subject and subordinate to the lien of each Mortgage that hereafter exists (and does not exist as of the date hereof) in respect of which the Mortgagee is not an Affiliate of Landlord.

(B) The term "Lessor" shall mean a lessor under a Superior Lease.

(C) The term "Mortgage" shall mean any trust indenture or mortgage which now or hereafter encumbers Landlord's estate in the Premises.

(D) The term "Mortgagee" shall mean any trustee, mortgagee or holder of a Mortgage.

(E) The term "Superior Lease" shall mean any lease pursuant to which Landlord now or hereafter obtains or retains its interest in the Premises (to the extent that Landlord's interest in the Premises is a leasehold estate).

13.2. Attornment.

If, at any time prior to the Expiration Date, a Person succeeds to Landlord's interest in the Real Property by reason of a foreclosure under a Mortgage or by reason of the termination of a Superior Lease (any such Person being referred to herein as the "Successor"), then Tenant, at the Successor's election, shall attorn, from time to time, to the Successor, in either case upon the then

executory terms of this Lease, for the remainder of the Term. If the Successor is not an Affiliate of the Person that constituted Landlord immediately prior to such Successor's obtaining an interest in the Premises, then the Successor shall not be:

(A) liable for any act or omission of any prior landlord (including, without limitation, the then defaulting landlord), except to the extent that (i) such act or omission continues after the date that the Successor succeeds to Landlord's interest in the Real Property, and (ii) such act or omission of such prior landlord is of a nature that the Successor can cure by performing a service or making a repair, or

(B) subject to any defenses or offsets that Tenant has against any prior landlord (including, without limitation, the then defaulting landlord) (except for any offsets expressly permitted under this Lease), or

(C) bound by any payment of Rental that Tenant has made to any prior landlord (including, without limitation, the then defaulting landlord) more than thirty (30) days in advance of the date that such payment is due (other than the Rental that Tenant pays pursuant to Section 1.5(E) hereof), or

(D) bound by any obligation to make any payment to or on behalf of Tenant to the extent that such obligation accrues prior to the date that the Successor succeeds to Landlord's interest in the Real Property, or

(E) bound by any obligation to perform any work or to make improvements to the Premises, except for:

(1) repairs and maintenance that Landlord is required to perform pursuant to the provisions of this Lease and that first become necessary, or the need for which continues, after the date that the Successor succeeds to Landlord's interest in the Real Property,

(2) repairs to the Premises that become necessary by reason of a fire or other casualty that occurs from and after the date that the Successor succeeds to Landlord's interest in the Real Property and that Landlord is required to perform pursuant to Article 15 hereof,

(3) repairs to the Premises or any part thereof that become necessary by reason of a fire or other casualty that occurs prior to the date that the Successor succeeds to Landlord's interest in the Real Property and that Landlord is required to perform pursuant to Article 15 hereof, to the extent that the Successor can make such repairs from the net proceeds of Landlord's Property Policy that are actually made available to the Successor (with the understanding, however, that if (i) a fire or other casualty occurs prior to the date that the Successor succeeds to Landlord's interest in the Real Property, (ii) Landlord is required to repair the resulting damage to the Building pursuant to Article 15 hereof, and (iii) the Successor cannot make such repairs from such net proceeds, then Tenant shall have the right to terminate this Lease by giving notice thereof to the Successor within fifteen (15) days after the date that the Successor gives Tenant notice that the Successor does not intend to perform such repairs),

(4) repairs to the Premises as a result of a partial condemnation that occurs from and after the date that the Successor succeeds to Landlord's interest in the Real Property and that Landlord is required to perform pursuant to Article 16 hereof, and

(5) repairs to the Premises as a result of a partial condemnation that occurs prior to the date that the Successor succeeds to Landlord's interest in the Real Property and that Landlord is required to perform pursuant to Article 16 hereof, to the extent that the Successor can make such repairs from the net proceeds of any condemnation award made available to the Successor (with the understanding, however, that if (i) a partial condemnation occurs prior to the date that the Successor succeeds to Landlord's interest in the Real Property, (ii) Landlord is required to make repairs to the Building pursuant to Article 16 hereof by reason of such partial condemnation, and (iii) the Successor cannot make such repairs from such net proceeds, then Tenant shall have the right to terminate this Lease by giving notice thereof to the Successor within fifteen (15) days after the date that the Successor gives Tenant notice that the Successor does not intend to perform such repairs),

(F) bound by any amendment or modification of this Lease made without the consent of the Successor after the date that Tenant is given notice of the applicable Mortgage or the applicable Superior Lease (as the case may be), or

(G) bound to return the Cash Security Deposit or the Letter of Credit until the Cash Security Deposit or the Letter of Credit has come into the Successor's actual possession and Tenant is entitled to the Cash Security Deposit or the Letter of Credit pursuant to the terms of this Lease.

The provisions of this Section 13.2 shall apply notwithstanding that, as a matter of law, this Lease terminates upon the termination of any Superior Lease or the foreclosure of a Mortgage. No further instrument shall be required to give effect to Tenant's attorning to a Successor as contemplated by this Section 13.2. Tenant, however, upon demand of any Successor, shall execute, from time to time, instruments, in a recordable form and in a form reasonably satisfactory to the Successor, confirming the foregoing provisions of this Section 13.2.

13.3. Amendments to this Lease.

Tenant shall execute and deliver, from time to time, amendments to this Lease, promptly after Landlord's request, to the extent that (x) such amendments are reasonably required by a Mortgagee or a Lessor that in either case is not an Affiliate of Landlord (or are reasonably required by a proposed Mortgagee or proposed Lessor that in either case is not an Affiliate of Landlord and that consummates the applicable Mortgage or the applicable Superior Lease contemporaneously with Tenant's execution and delivery of such amendment hereof), and (y) Landlord gives to Tenant reasonable evidence to the effect that such Mortgagee or Lessor requires such amendments; provided, however, that Tenant shall not be required to agree to any such amendments to this Lease that (i) increase Tenant's monetary obligations under this Lease, (ii) adversely affect or diminish Tenant's rights under this Lease (except in either case to a *de minimis* extent), or (iii) increase Tenant's other obligations under this Lease (except to a *de minimis* extent).

13.4. Tenant's Estoppel Certificate.

Tenant, within ten (10) Business Days after Landlord's request from time to time (but not more frequently than three (3) times in any particular period of twelve (12) months), shall deliver to Landlord a written statement executed by Tenant, in form reasonably satisfactory to Landlord, (1) stating that this Lease is then in full force and effect and has not been modified (or if this Lease is not in full force and effect, stating the reasons therefor, or if this Lease is modified, setting forth all modifications), (2) setting forth the date to which the Fixed Rent, the Tax Payment and other items of Rental have been paid, (3) stating whether, to the actual knowledge of Tenant (without having made any investigation), Landlord is in default under this Lease, and, if Landlord is in default, setting forth the specific nature of all such defaults, and (4) stating any other matters reasonably requested by Landlord and related to this Lease. Tenant acknowledges that any such statement that Tenant delivers to Landlord pursuant to this Section 13.4 may be relied upon by (x) any purchaser or owner of the Real Property or any interest therein (including, without limitation, any Lessor), or (y) any Mortgagee.

13.5. Landlord's Estoppel Certificate.

Landlord, within ten (10) Business Days after Tenant's request from time to time (but not more frequently than three (3) times in any particular period of twelve (12) months), shall deliver to Tenant a written statement executed by Landlord, in form reasonably satisfactory to Tenant, (i) stating that this Lease is then in full force and effect and has not been modified (or if this Lease is not in full force and effect, stating the reasons therefor, or if this Lease is modified, setting forth all modifications), (ii) setting forth the date to which the Fixed Rent, the Escalation Rent and any other items of Rental have been paid, (iii) stating whether, to the actual knowledge of Landlord (without having made any investigation), Tenant is in default under this Lease, and, if Tenant is in default, setting forth the specific nature of all such defaults, and (iv) stating any other matters reasonably requested by Tenant and related to this Lease. Landlord acknowledges that any statement delivered by Landlord to Tenant pursuant to this Section 13.5 may be relied upon by (w) any Person that extends credit to Tenant, (x) any assignee of Tenant's interest hereunder, (y) any subtenant of all or any part of the Premises, or (z) any Person that acquires Control of Tenant (provided that such assignment, sublease or transfer of Control is accomplished in a manner that complies with the provisions of Article 17 hereof).

13.6. Rights to Cure Landlord's Default.

If (x) a Superior Lease or Mortgage exists, (y) the Lessor or Mortgagee is not an Affiliate of Landlord, and (z) Landlord gives Tenant notice thereof, then Tenant shall not seek to terminate this Lease by reason of Landlord's default hereunder until Tenant has given written notice of such default to such Lessor or such Mortgagee in either case at the address that has been furnished to Tenant. If any such Lessor or Mortgagee notifies Tenant, within ten (10) Business Days after the date that such Lessor or Mortgagee receives such notice from Tenant,

that such Lessor or Mortgagee intends to remedy such act or omission of Landlord, then Tenant shall not have the right to so terminate this Lease unless such Lessor or Mortgagee fails to remedy such act or omission of Landlord within a reasonable period of time after the date that such Lessor or Mortgagee gives

such notice to Tenant (it being understood that such Lessor or Mortgagee shall not have any liability to Tenant for the failure of such Lessor or Mortgagee to so remedy such act or omission of Landlord during such period).

13.7. Zoning Lot Merger Agreement.

Tenant hereby waives irrevocably any rights that Tenant may have in connection with any zoning lot merger or transfer of development rights with respect to the Real Property, including, without limitation, any rights that Tenant may have to be a party to, to contest, or to execute any Declaration of Restrictions (as such term is used in Section 12-10 of the Zoning Resolution of The City of New York effective December 15, 1961, as amended) with respect to the Real Property, which would cause the Premises to be merged with or unmerged from any other zoning lot pursuant to such Zoning Resolution or to any document of a similar nature and purpose. Tenant agrees that this Lease shall be subject and subordinate to any Declaration of Restrictions or any other document of similar nature and purpose now or hereafter affecting the Real Property (it being understood, however, that Landlord shall not permit such Declaration of Restrictions or any such other document to impair Tenant's rights hereunder, or expand Tenant's obligations hereunder, except, in either case, to a *de minimis* extent). In confirmation of such subordination and waiver, Tenant, from time to time, shall execute and deliver promptly any certificate or instrument that Landlord reasonably requests.

13.8. Tenant's Financial Statements.

Subject to the terms of this Section 13.8, Tenant shall provide to Landlord (a) the balance sheet of Tenant and each Predecessor Tenant (if any) in either case dated as of the last day of each fiscal year (to the extent that the last day of each such fiscal year occurs during the Term), (b) the income statement of Tenant and each Predecessor Tenant (if any) for each such fiscal year that occurs, in whole or in part, during the Term, and (c) the statement of changes in financial condition of Tenant and each Predecessor Tenant (if any) for each such fiscal year that occurs, in whole or in part, during the Term, in each case on or prior to the one hundred twentieth (120^{th}) day after the last day of each such fiscal year (such financial statements being collectively referred to herein as "Tenant's Statements"). Tenant shall cause Tenant Statements to be prepared in accordance with generally accepted accounting principles, consistently applied. Landlord shall not disclose Tenant's Statements to any third party, except that Landlord may disclose Tenant's Statements (i) to Persons that provide (or that propose to provide), directly or indirectly, debt or equity capital to Landlord or Landlord's Affiliates and that provide Landlord with reasonable assurances that such Persons will maintain the confidentiality of Tenant's Statements, (ii) to Persons that purchase (or that propose to purchase) the Real Property or any portion thereof and that provide Landlord with reasonable assurances that such Persons will maintain the confidentiality of Tenant's Statements, (iii) to Lessors (or prospective Lessors) that provide Landlord with reasonable assurances that such Lessors (or prospective Lessors) will maintain the confidentiality of Tenant's Statements, (iv) to Persons that provide professional

services for Landlord (such as, for example, Landlord's attorneys and accountants) and that provide Landlord with reasonable assurances that such Persons will maintain the confidentiality of Tenant's Statements, (v) to the extent required by law, (vi) to the extent reasonably required by Landlord in enforcing Landlord's rights hereunder, and (vii) to the extent that Tenant's Statements are otherwise available to the general public. Tenant shall not have any obligation to provide Tenant's Statements to Landlord as provided in this Section 13.8 during the period that (x) the stock of Tenant is publicly traded on a recognized stock exchange, and (y) Tenant's Statements are available to the general public under filings that Tenant makes with the Securities and Exchange Commission.

Article 14
INSURANCE

14.1. Tenant's Insurance.

(A) Tenant, at Tenant's expense, shall obtain and keep in full force and effect (i) an insurance policy for Tenant's Property and the Specialty Alterations, in either case to the extent insurable under the available standard forms of "all-risk" insurance policies, in an amount equal to one hundred percent (100%) of the replacement value thereof (subject, however, at Tenant's option, to a reasonable deductible) (the insurance policy described in this clause (i) being referred to herein as "Tenant's Property Policy"), (ii) a policy of worker's compensation insurance, to the extent required by law (such policy being referred to herein as "Tenant's Worker's Compensation Policy"), and (iii) a policy of commercial general liability and property damage insurance on an occurrence basis, with a broad form contractual liability endorsement (the insurance policy described in this clause (iii) being collectively referred to herein as "Tenant's Liability Policy"). Tenant's Property Policy and Tenant's Liability Policy shall name Tenant as the insured. Tenant's Property Policy shall also include business interruption insurance that is sufficient in amount to pay the Fixed Rent and the Tax Payment due hereunder for a period of at least one (1) year. Tenant's Liability Policy shall name the Landlord Indemnitees as additional insureds thereunder.

(B) Except for standard provisions in ISO CG 0001 Form or its equivalent, Tenant's Liability Policy shall not contain any endorsement or exclusion that affects or limits the obligation of the insurer to pay the amount of any loss sustained caused by a negligent act or omission of Tenant. If Tenant receives any notice of cancellation or any other notice from the insurance carrier which may adversely affect the coverage of the insureds under Tenant's Property Policy or Tenant's Liability Policy, then Tenant shall immediately deliver to Landlord a copy of such notice. The minimum amounts of liability under Tenant's Liability Policy shall be a combined single limit with respect to each occurrence in the amount of Five Million Dollars ($5,000,000) for injury (or death) to persons and damage to property, which minimum amount Landlord may increase from time to time to the amount of insurance that in Landlord's reasonable judgment is then being customarily required by prudent landlords of first-class buildings in the vicinity of the Building from tenants leasing space similar in size, nature and location to the Premises.

(C) Tenant shall cause Tenant's Liability Policy, Tenant's Worker's Compensation Policy and Tenant's Property Policy to be issued by reputable and independent insurers that are (x) permitted to do business in the State of New York, and (y) rated in Best's Insurance Guide, or any successor thereto, as having a general policyholder rating of AA and a financial rating of at least XIII (it being understood that if such ratings are no longer issued, then such insurer's financial integrity shall conform to the standards that constitute such ratings from Best's Insurance Guide as of the date hereof).

(D) Tenant has the right to satisfy Tenant's obligation to carry Tenant's Liability Policy with an umbrella insurance policy if such umbrella insurance policy contains an aggregate per location endorsement that provides the required level of protection for the Premises. Tenant has the right to satisfy

Tenant's obligation to carry Tenant's Property Policy with a blanket insurance policy if such blanket insurance policy provides, on a per occurrence basis, that a loss that relates to any other location does not impair or reduce the level of protection available for the Premises below the amount required by this Lease.

14.2. Landlord's Insurance.

(A) Subject to the terms of this Section 14.2, Landlord shall obtain and keep in full force and effect insurance against loss or damage by fire and other casualty to the Building, to the extent insurable on commercially reasonable terms under then available standard forms of "all-risk" insurance policies, in an amount equal to one hundred percent (100%) of the replacement value thereof or, at Landlord's option, in such lesser amount as will avoid co-insurance (such insurance being referred to herein as "Landlord's Property Policy"). Tenant acknowledges that (i) Landlord's Property Policy may encompass rent insurance, (ii) the risks that Landlord's Property Policy covers may include, without limitation, fire, war, terrorism, environmental matters, and flood, and (iii) Landlord may also obtain a commercial general liability insurance policy.

(B) Landlord shall not be liable to Tenant for any failure to insure any Alterations unless Tenant notifies Landlord of the completion of such Alterations and the cost thereof, and maintains adequate records with respect to such Alterations to facilitate the adjustment of any insurance claims with respect thereto. Landlord shall have the right to provide that the coverage of Landlord's Property Policy is subject to a reasonable deductible. Tenant shall cooperate with Landlord and Landlord's insurance companies in the adjustment of any claims for any damage to the Building or the Alterations. Landlord shall not be required to carry insurance on Tenant's Property or the Specialty Alterations. Landlord shall not be required to carry insurance against any loss suffered by Tenant due to the interruption of Tenant's business.

14.3. Mutual Waiver of Subrogation.

(A) Subject to the provisions of this Section 14.3, Landlord and Tenant shall each obtain an appropriate clause in, or endorsement on, Landlord's Property Policy or Tenant's Property Policy (as the case may be) pursuant to which the insurance companies waive subrogation or consent to a waiver of right of recovery. Landlord and Tenant also agree that,

having obtained such clauses or endorsements of waiver of subrogation or consent to a waiver of right of recovery, they shall not make any claim against or seek to recover from the Landlord Indemnitees or the Tenant Indemnitees (as the case may be) for any loss or damage to its property or the property of others resulting from fire or other hazards covered by Landlord's Property Policy or Tenant's Property Policy (as the case may be); provided, however, that the release, discharge, exoneration and covenant not to sue herein contained shall be limited by and be coextensive with the terms and provisions of the waiver of subrogation clause or endorsements or clauses or endorsements consenting to a waiver of right of recovery.

(B) If the payment of an additional premium is required for the inclusion of a waiver of subrogation provision as described in Section 14.3(A) hereof, then each party shall advise the other party of the amount of any such additional premiums and the other party at its own election may, but shall not be obligated to, pay such additional premium. If (x) Tenant is the party that elects to pay such additional premium to include such a waiver in Landlord's Property Policy, and (y) other tenants in the Building make concurrently a similar election, then the aforesaid amount that Tenant is obligated to pay to Landlord on account of such additional premium shall be only the portion thereof that Landlord allocates equitably to Tenant. If such other party does not elect to pay such additional premium, then the party whose insurer is charging the additional premium shall not be required to obtain such waiver of subrogation provision.

(C) If either party is unable to obtain the inclusion of such waiver of subrogation provision even with the payment of an additional premium, then such party shall attempt to name the other party as an additional insured (but not a loss payee) under the applicable insurance policy. If the payment of an additional premium is required for naming the other party as an additional insured (but not a loss payee), then such party shall advise the other of the amount of any such additional premium and the other party at its own election may, but shall not be obligated to, pay such additional premium. If (x) Tenant is the party that elects to pay such additional premium to name Tenant as an additional insured (but not as loss payee), and (y) other tenants in the Building make concurrently a similar election, then the aforesaid amount that Tenant is obligated to pay to Landlord on account of such additional premium shall be only the portion thereof that Landlord allocates equitably to Tenant. If such other party does not elect to pay such additional premium or if it is not possible to have the other party named as an additional insured (but not loss payee), even with the payment of an additional premium, then (in either event) the party whose insurer refuses to include such waiver of subrogation provision shall so notify the other party and such party shall not have the obligation to name the other party as an additional insured.

14.4. Evidence of Insurance.

On or prior to the Commencement Date, each party shall deliver to the other party appropriate certificates of insurance required to be carried by the parties pursuant to this Article 14, including evidence of waivers of subrogation and naming of additional insureds in either case as required by Section 14.3 hereof. Each party shall deliver to the other party evidence of each renewal or replacement of a policy at least twenty (20) days prior to the expiration of such policy.

14.5. No Concurrent Insurance.

Tenant shall not obtain any property insurance (under Tenant's Property Policy or otherwise) that covers the property that is covered by Landlord's Property Policy.

14.6. Tenant's Obligation to Comply with Landlord's Fire and Casualty Insurance.

If (i) Tenant (or any other Person claiming by, through or under Tenant) uses the Premises for any purpose other than general office use, and (ii) the use of the Premises by Tenant (or such other Person) causes the premium for Landlord's Property Policy to exceed the premium that would have otherwise applied therefor if Tenant (or such Person) used the Premises for general office use, then Tenant shall pay to Landlord, as additional rent, an amount equal to

such excess, on or prior to the thirtieth (30th) day after the date that Landlord gives to Tenant an invoice therefor, together with reasonable supporting documentation for the charges set forth therein. Nothing contained in this Section 14.6 expands Tenant's rights under Article 3 hereof.

Article 15
CASUALTY

15.1. Notice.

Tenant shall notify Landlord promptly of any fire or other casualty that occurs in the Premises.

15.2. Landlord's Restoration Obligations.

Subject to the terms of this Section 15.2, Landlord, with reasonable diligence, shall repair the damage to (i) the Premises (including, without limitation, the Alterations), (ii) the Building Systems that service the Premises, and (iii) the common elements of the Building that Tenant uses to gain access to the Premises, in each case to the extent caused by fire or other casualty. Landlord shall commence the performance of such repairs as promptly as reasonably practicable after the occurrence of such fire or other casualty. Landlord shall use commercially reasonable efforts to perform such repairs diligently, in a good and workmanlike manner, and in a manner that minimizes to the extent reasonably practicable interference with Tenant's use and occupancy of any portion of the Premises that remains tenantable. Landlord shall not be required to restore Tenant's Property or the Specialty Alterations. Landlord shall not be required to commence such restoration until Tenant gives Landlord the notice described in Section 15.1 hereof (unless Landlord otherwise has received actual notice of the fire or other casualty). Landlord shall not be obligated to restore any Alterations unless (i) Tenant has Substantially Completed the performance thereof, (ii) Tenant has given Landlord notice to the effect that Tenant has Substantially Completed such Alterations, (iii) Tenant has given Landlord notice of the cost

incurred by Tenant in performing such Alterations, and (iv) Tenant has maintained records with respect to such Alterations in a form that allows Landlord to make a Ml insurance recovery therefor under Landlord's Property Policy. If (x) Tenant, as part of the Initial Alterations, demolishes all or a material part of the interior installation that exists in the Premises on the Commencement Date, and (y) the Premises (including any Alterations) is damaged by fire or other casualty at any time prior to the date that Tenant Substantially Completes the Initial Alterations therein, then Landlord's obligation to repair the Premises (and any Alterations) shall be limited to (x) the part of the Building Systems serving the Premises on the Commencement Date, but not the distribution portions of such Building Systems located within the Premises, (y) the floor and ceiling slabs of the Premises, and (z) the exterior walls of the Premises, all to substantially the same condition that existed on the Commencement Date. Landlord shall have the right to adapt the restoration of the Premises as contemplated by this Section 15.2 to comply with applicable Requirements that are then in effect. Landlord shall not be obligated to restore the Premises as provided in this Section 15.2 to the extent that this Lease terminates by reason of such fire or other casualty as provided in this Article 15.

15.3. Rent Abatement.

(A) Subject to Section 15.3 hereof, the Fixed Rent and the Tax Payment that is otherwise due and payable hereunder shall be reduced in the proportion that the number of square feet of Rentable Area of the part of the Premises that is not usable or accessible by Tenant by reason of such fire or other casualty bears to the total Rentable Area of the Premises immediately prior to such fire or other casualty, for the period commencing on the date of such fire or other casualty and ending on the date that Landlord Substantially Completes the restoration described in Section 15.2 hereof or the applicable portion of the Premises becomes accessible, as the case may be.

(B) If a fire or other casualty occurs in the Premises after the Commencement Date and prior to the Rent Commencement Date, then the aggregate abatement of Fixed Rent and the Tax Payment to which Tenant is entitled as contemplated by Section 15.3 hereof (from and after the Rent Commencement Date) shall be an amount equal to the aggregate abatement of Fixed Rent and the Tax Payment to which Tenant would have been entitled under Section 15.3 hereof if the Rent Commencement Date had occurred immediately prior to such fire or other casualty.

15.4. Landlord's Termination Right.

If the Building is so damaged by fire or other casualty that, in Landlord's opinion, substantial alteration, demolition, or reconstruction of the Building is required (regardless of whether the Premises have been damaged or rendered untenantable), then Landlord may terminate this Lease by giving Tenant notice thereof on or prior to the ninetieth (90th) day after such fire or other casualty. If Landlord elects to terminate this Lease as aforesaid, then (I) the Term shall expire on a date set by Landlord that (A) is not sooner than (i) the tenth (10th) day after the date that Landlord gives such notice (if all or substantially all of the Premises is rendered untenantable by such fire or other casualty), and (ii) the ninetieth (90th) day after the

date that Landlord gives such notice (if less than all or substantially all of the Premises is rendered untenantable by such fire or other casualty), and (B) is not later than the first (1st) anniversary of the date on which such fire or other casualty occurs, and (II) Tenant, on such date set by Landlord, shall vacate the Premises and surrender the Premises to Landlord in accordance with the terms of this Lease that govern Tenant's obligations upon the expiration or earlier termination of the Term. Upon the termination of this Lease under this Section 15.3(A), the Rental shall be apportioned and any prepaid portion of the Rental for any period after the Expiration Date shall be refunded promptly by Landlord to Tenant (and Landlord's obligation to make such refund shall survive the Expiration Date).

15.5. Termination Rights at End of Term.

If the Premises are substantially damaged by a fire or other casualty that occurs during the period of eighteen (18) months immediately preceding the Fixed Expiration Date, then Landlord or Tenant may elect to terminate this Lease by notice given to the other party within thirty (30) days after such fire or other casualty occurs. If either party makes such election, then the Term shall expire on the thirtieth (30th) day after the notice of such election is given, and, accordingly, Tenant, on or prior to such thirtieth (30th) day, shall vacate the Premises and surrender the Premises to Landlord in accordance with the provisions of this Lease that govern Tenant's obligation to deliver vacant and exclusive possession of the Premises to Landlord upon the expiration of the Term. Upon the termination of this Lease under this Section 15.5, the Rental shall be apportioned and any prepaid portion of the Rental for any period after

the Expiration Date shall be refunded promptly by Landlord to Tenant (and Landlord's obligation to make such refund shall survive the Expiration Date). For purposes of this Section 15.5, the term "substantially damaged" shall mean that: (a) a fire or other casualty precludes Tenant from using more than thirty percent (30%) of the Premises for the conduct of its business, and (b) Tenant's inability to so use the Premises (or the applicable portion thereof) is reasonably expected to continue until at least the earlier to occur of (i) the Fixed Expiration Date, and (ii) the ninetieth (90th) day after the date that such fire or other casualty occurs.

15.6. No Other Termination Rights.

Tenant shall have no right to cancel this Lease by virtue of a fire or other casualty except to the extent specifically set forth in this Article 15. This Article 15 is intended to constitute an "express agreement to the contrary" for purposes of Section 227 of the New York Real Property Law.

Article 16
CONDEMNATION

16.1. Effect of Condemnation.

(A) Subject to the provisions of Section 16.2 hereof, if the entire Real Property, the entire Building or the entire Premises is condemned or otherwise acquired by the exercise of the power of eminent domain, then this Lease shall terminate as of the date that such condemnation or acquisition is consummated.

(B) If only a part of the Real Property and not the entire Premises is so acquired or condemned, then:

(1) except as hereinafter provided in this Section 16.1, this Lease shall remain effective, and, from and after the date that the condemnation or acquisition is consummated, (w) the Fixed Rent shall be reduced in the proportion that the number of square feet of Rentable Area of the part of the Premises so acquired or condemned bears to the total Rentable Area of the Premises immediately prior to such acquisition or condemnation, and (x) Tenant's Tax Share shall be redetermined based upon the proportion that the number of square feet of Rentable Area of the Premises that is remaining after such acquisition or condemnation bears to the number of square feet of Rentable Area of the Building that is remaining after such acquisition or condemnation;

(2) on or prior to the sixtieth (60th) day after the date that the condemnation or acquisition is consummated, Landlord shall have the right to terminate this Lease by giving notice to Tenant if either (i) at least fifteen percent (15%) of the usable area of the Premises is so acquired or condemned, or (ii) Landlord terminates leases (including this Lease) for at least fifty percent (50%) of the usable area of the Building (excluding any portion of the Building leased to or occupied by Landlord or Landlord's Affiliates); and

(3) if (a) the part of the Real Properly so acquired or condemned contains more than fifteen percent (15%) of the usable area of the Premises immediately prior to such acquisition or condemnation, or (b) by reason of such acquisition or condemnation, Tenant no longer has reasonable means of access to the Premises, then Tenant may elect to terminate this Lease by giving notice to Landlord on or prior to the sixtieth (60th) day after the date that Tenant is given notice of such acquisition or condemnation being consummated.

The Term shall expire on the thirtieth (30th) day after the date that Landlord or Tenant give any such notice to terminate this Lease.

(C) Landlord shall refund to Tenant, promptly after the date that such taking or acquisition becomes effective, any Rental that Tenant has theretofore paid for the Premises (or the applicable portion thereof that is so taken or acquired) to the extent that such Rental is properly allocable to the period after the date that such taking or acquisition becomes effective (and Landlord's obligation to make such refund shall survive the Expiration Date).

(D) If this Lease terminates pursuant to the provisions of this Section 16.1, then the Rental for the portion of the Premises that is not taken or acquired shall be apportioned as of the termination date. Landlord shall refund promptly to Tenant any Rental that Tenant has theretofore paid for any period after the date that such termination becomes effective (and Landlord's obligation to make such refund shall survive the Expiration Date).

(E) If a part of the Premises is so acquired or condemned and this Lease and the Term is not terminated pursuant to the foregoing provisions of this Section 16.1, then Landlord, at Landlord's expense, shall restore the part of the Premises that is not so acquired or condemned to a self-contained rental unit inclusive of Alterations that Tenant has theretofore Substantially Completed, except that if such acquisition or condemnation occurs prior to the Substantial Completion of the Initial Alterations, then Landlord shall only be required to restore the part of the Premises not so acquired or condemned to a self-contained rental unit exclusive of any Alterations.

16.2. Condemnation Award.

Subject to Section 16.3 hereof, Landlord shall be entitled to receive the entire award for any such acquisition or condemnation of all or any part of the Real Property. Tenant shall have no claim against Landlord or the condemning authority for the value of any unexpired portion of the Term, and, accordingly, Tenant hereby expressly assigns to Landlord all of its right in and to any such award. Nothing contained in this Section 16.2 shall be deemed to prevent Tenant from making a separate claim in any condemnation proceedings for the value of any Tenant's Property included in such taking, for any moving expenses or for the costs incurred by Tenant in performing the Initial Alterations (prior to Tenant's Substantial Completion thereof) in the portion of the Premises that is not so condemned or acquired.

16.3. Temporary Taking.

If the whole or any part of the Premises is acquired or condemned temporarily during the Term, then (a) Tenant shall give prompt notice thereof to Landlord, (b) the Term shall not be reduced or affected in any way, (c) Tenant shall continue to pay in full all items of Rental payable by Tenant hereunder without reduction or abatement, and (d) Tenant shall be entitled to receive for itself any award or payments for such use, provided, however, that if the

acquisition or condemnation is for a period extending beyond the Term, then such award or payment shall be apportioned equitably between Landlord and Tenant. Tenant, at Tenant's expense, shall make Alterations to restore the Premises to the condition existing prior to any such temporary acquisition or condemnation.

Article 17
ASSIGNMENT AND SUBLETTING

17.1. General Limitations.

(A) Subject to the terms of this Article 17, without the prior consent of Landlord in each instance, Tenant shall not (i) assign Tenant's interest in this Lease, in whole or in part, by express assignment or by operation of law or by other means, (ii) sublease the Premises or any part thereof, (iii) permit a subtenant under a sublease that is consummated in accordance with the terms of this Article 17 to further sublease the Premises or any part thereof or to assign the subtenant's interest under any such sublease in whole or in part by express assignment or by operation of law or by other means, (iv) amend or modify any sublease that is

consummated in accordance with the terms of this Article 17, (v) mortgage or otherwise encumber Tenant's interest in this Lease, in whole or in part, or (vi) permit the Premises or any part thereof to be occupied by any Person other than Tenant (any of the events described in clauses (i) through (vi) above being referred to herein as a "Transfer"; Tenant and any other Person that has the right to occupy the Premises in accordance with the terms of this Article 17 (other than a Person that has the right to occupy the Premises by virtue of Landlord's exercising Landlord's rights under Section 17.3 hereof) being referred to herein as a "Permitted Party"). The termination or cancellation of a sublease shall not constitute a Transfer for purposes hereof.

(B) Subject to Section 17.7 hereof, the transfer of Control in a Permitted Party, however accomplished, whether in a single transaction or in a series of unrelated or related transactions, shall constitute an assignment of such Permitted Party's interest in this Lease or the Premises (as the case may be) for purposes of this Article 17.

(C) The consent by Landlord to any Transfer shall not relieve Tenant from its obligation to obtain the prior consent of Landlord to any other Transfer to the extent required by this Lease.

(D) The assignment by any Person that constitutes Tenant of the tenant's interest under this Lease shall not relieve such Person of the obligations of the tenant under this Lease. Such Person's liability under this Lease shall continue notwithstanding (x) the subsequent release of any other Person that constitutes Tenant from liability under this Lease, (y) any limitation on any such other Person's liability hereunder by virtue of the Bankruptcy Code, or (z) any modification or amendment of this Lease that Landlord consummates with any such other Person that constitutes Tenant subsequently; provided, however, that if such other Person is not an Affiliate of such Person, then any such modification or amendment shall not expand such Person's liability hereunder.

(E) Notwithstanding anything to the contrary contained herein, Tenant shall not, and Tenant shall not permit any other Permitted Party to, enter into any lease, sublease, license, concession or other agreement for use or occupancy of the Premises or any portion thereof which provides for a rental or other payment for such use or occupancy based in whole or in part on the net income or profits derived by any Person from the property leased, occupied or used, or which would require the payment of any consideration that would not qualify as "rents from real property," as that term is defined in Section 856(d) of the Internal Revenue Code of 1986, as amended.

(F) If Tenant assigns the tenant's interest under this Lease in violation of the terms of this Article 17, then such assignment shall be void and of no force and effect against Landlord; provided, however, that Landlord (x) may collect an amount equal to the then Rental from the assignee as a fee for such assignee's use and occupancy, and (y) shall apply the net amount collected to the Rental reserved in this Lease. If the Premises or any part thereof are sublet to, occupied by, or used by any Person other than Tenant (regardless of whether such subletting, occupancy or use violates this Article 17), then Landlord (a) after the occurrence of an Event of Default, may collect amounts from the subtenant, user or occupant as a fee for its use

and occupancy, and (b) shall apply the net amount collected to the Rental reserved in this Lease. No such assignment, subletting, occupancy or use, with or without Landlord's prior consent, nor any such collection or application of fees for use and occupancy, shall (i) be deemed a waiver by Landlord of any term, covenant or condition of this Lease, (ii) be deemed the acceptance by Landlord of such assignee, subtenant, occupant or user as tenant hereunder, or (iii) relieve Tenant of the obligations of the tenant under this Lease.

17.2. Landlord's Expenses.

Tenant shall reimburse Landlord for a reasonable processing fee, any reasonable Out-of-Pocket Costs that Landlord incurs in connection with any proposed Transfer, including, without limitation, reasonable attorneys' fees and disbursements, and the reasonable costs of making investigations as to the acceptability of the proposed Transferee, within thirty (30) days after Landlord gives to Tenant an invoice therefor together with reasonable supporting documentation for the charges set forth therein.

17.3. Recapture Procedure.

(A) Tenant shall have the right to institute the procedure described in this Section 17.3 (the "Recapture Procedure") only by giving to Landlord notice thereof (a "Transfer Notice"), which:

(1) refers expressly to this Section 17.3 and indicates that such notice constitutes a Transfer Notice,

(2) includes a copy of the documents that Tenant intends to use to evidence the proposed Transfer,

(3) identifies the Person to which Tenant proposes to make the Transfer (the Person to which a Transfer is made being referred to herein as a "Transferee"), and

(4) sets forth the date on which Tenant proposes that the term of a Transfer that constitutes a sublease, license or other similar agreement that grants occupancy rights will commence, or that a Transfer that constitutes an assignment will occur, as the case may be (such date being referred to herein as the "Transfer Date") (it being understood that the Transfer Date shall be no sooner than sixty (60) days, and no later than two hundred seventy (270) days, after the date that Tenant gives the Transfer Notice to Landlord) (the material terms of a proposed Transfer as set forth in the Transfer Notice being referred to herein as the "Proposed Transfer Terms").

(B) The term "Transfer Expenses" shall mean the actual Out-of-Pocket Expenses that Tenant pays solely in consummating a Transfer, including, without limitation, (i) brokerage commissions, (ii) allowances that Tenant makes available to the Transferee to fund the cost of Alterations that the Transferee makes to the Premises, (iii) costs that Tenant pays in making Alterations to prepare the Premises solely for the Transferee's initial occupancy, (iv) the amount payable to Landlord under Section 17.2 hereof for such Transfer, (v) reasonable

attorneys' fees and disbursements that Tenant pays in connection with consummating such Transfer, and (vi) the transfer taxes (and other similar charges and fees) that Tenant pays pursuant to Section 17.5 hereof.

(C) The term "Amortized Transfer Expenses" shall mean, with respect to any period, the amount of the Transfer Expenses that amortize during such period if the Transfer Expenses are amortized, in equal monthly installments, with interest calculated at the Base Rate, over the period that the Transferee is obligated to make payments to Tenant in respect of the applicable Transfer.

(D) The term "Recapture Date" shall mean the thirtieth (30th) day after the date that Tenant gives the Transfer Notice to Landlord.

(E)

(1) If (x) Tenant gives a Transfer Notice to Landlord, and (y) the Transfer described in the Transfer Notice constitutes a sublease for the Premises with respect to which the term thereof expires on or prior to the date that is eighteen (18) months before the Fixed Expiration Date (any sublease that expires before such date being referred to herein as a "Short-Term Sublease"), then Landlord shall have the right to sublease (or to cause the Recapture Subtenant to sublease) the Premises from Tenant, on the terms set forth in this Section 17.3(E), by giving notice thereof (the "Recapture Sublease Notice") to Tenant not later than the Recapture Date (as to which date time shall be of the essence) (any such sublease of the Premises that Landlord elects to consummate under this Section 17.3(E) being referred to herein as a "Recapture Sublease").

(2) If Landlord gives a Recapture Sublease Notice to Tenant, then Tenant shall, and Landlord shall (or Landlord shall cause the Recapture Subtenant to), consummate a Recapture Sublease for the Premises on the following terms:

(a) Landlord shall give to Tenant, within twenty (20) days after the date that Landlord gives to Tenant the Recapture Sublease Notice, a proposed sublease that conforms with the terms set forth in this Section 17.3(E) and is otherwise on the terms set forth in this Lease. Tenant shall execute and deliver such sublease promptly after Landlord's submission thereof to Tenant. Landlord shall execute and deliver (or cause the Recapture Subtenant to execute and deliver) such sublease promptly after Tenant delivers to Landlord the counterpart thereof that is executed by Tenant.

(b) Landlord shall have the right to designate that the subtenant under the Recapture Sublease is a Person other than Landlord (the Person that constitutes the subtenant under a Recapture Sublease being referred to herein as the "Recapture Subtenant").

(c) The rental payable by the Recapture Subtenant to Tenant shall be calculated on either of the following methods, as designated by Landlord (with the understanding that Landlord shall be deemed to have elected clause (i) below if Landlord does not designate otherwise in the Recapture Sublease Notice):

(i) the excess of (I) the rental that would have been payable by the Transferee for the applicable calendar month as contemplated by the Proposed Transfer Terms, over (II) the Amortized Transfer Expenses for such month that would have resulted from the Proposed Transfer Terms; or

(ii) the Fixed Rent and the Tax Payment that is due under this Lease for the Premises.

(d) The term of the Recapture Sublease shall commence on the Transfer Date and shall extend for the term set forth in the Transfer Notice as part of the Proposed Transfer Terms (with the understanding that the Recapture Subtenant shall have the right to extend the term of the Recapture Sublease for a term that corresponds, or for terms that correspond, to any renewal right or renewal rights that are set forth in the Transfer Notice as part of the Proposed Transfer Terms).

(e) If, during the term of the Recapture Sublease (or during the period that the Recapture Subtenant, or any Person claiming by, through or under the Recapture Subtenant, remains in occupancy of the Premises after the term of the Recapture Sublease expires or earlier terminates), an event or circumstance occurs that is attributable to the Recapture Subtenant (or a Person claiming by, through or under the Recapture Subtenant), then such event or circumstance shall not constitute a default by Tenant hereunder (and, accordingly, Tenant shall not have liability to Landlord in connection therewith).

(f) Tenant shall have the right to offset against the Rental due hereunder an amount equal to the rental that the Recapture Subtenant fails to pay when due to Tenant.

(g) The Recapture Subtenant (and any Person claiming by, through or under the Recapture Subtenant), during the term of the Recapture Sublease, shall have the right to make alterations to the Premises; provided, however, that the Recapture Subtenant shall be required to restore the Premises upon the expiration of the term of the Recapture Sublease to the extent required by the applicable Proposed Transfer Terms.

(h) The Recapture Subtenant shall have the right to further sublease the Premises, or assign the Recapture Subtenant's rights as subtenant under the Recapture Sublease, to any third party, without Tenant having any rights to consent thereto or to receive additional payments from the Recapture Subtenant in connection therewith.

(i) The Recapture Subtenant shall not have the right to receive from Tenant any free rent, tenant improvement allowance or other similar concession that constitutes part of the Proposed Transfer Terms.

(F)

(1) If (x) Tenant gives a Transfer Notice to Landlord, and (y) the Transfer described in the Transfer Notice constitutes either a sublease for the Premises (other than a

Short-Term Sublease) or an assignment, then Landlord shall have the right to terminate this Lease, on the terms set forth in this Section 17.3(F), by giving notice thereof (the "Recapture Termination Notice") to Tenant not later than the Recapture Date (any such termination of this Lease being referred to herein as a "Recapture Termination").

(2) If Landlord gives to Tenant a Recapture Termination Notice, then the Term shall terminate on the Transfer Date. If the Term so terminates on the Transfer Date, then Tenant, on the Transfer Date, shall vacate the Premises and deliver exclusive possession thereof to Landlord in accordance with the terms of this Lease that govern Tenant's obligations upon the expiration or earlier termination of the Term.

(3) If (x) Landlord elects to consummate a Recapture Termination, and (y) the Transfer described in the applicable Transfer Notice constitutes a sublease or sublicense, then Tenant shall pay to Landlord, as additional rent, on the first day of each calendar month during the period from the Transfer Date to the date that the term of such sublease or sublicense would have expired under the Proposed Transfer Terms, an amount equal to the excess (if any) of:

(a) the Fixed Rent and the Tax Payment that would have otherwise been due under this Lease since the Transfer Date for the Premises, over

(b) the sum of (A) the excess of (I) the rental that would have been payable by the Transferee since the Transfer Date as contemplated by the Proposed Transfer Terms, over (II) the Amortized Transfer Expenses under the Proposed Transfer Terms that would have theretofore accrued, and (B) the amounts theretofore paid by Tenant to Landlord under this Section 17.3(F)(3) in respect of such Recapture Termination.

Tenant's obligation to pay such amount to Landlord shall survive the termination of this Lease (or the termination of this Lease only with respect to the Recapture Space, as the case may be).

(4) If (x) Landlord elects to consummate a Recapture Termination, and (y) the Transfer described in the applicable Transfer Notice constitutes an assignment of Tenant's interest under this Lease, then Tenant shall pay to Landlord the sum of:

(a) the present value of the consideration (if any) that would have been payable by Tenant to the Transferee under the Proposed Transfer Terms (calculated as of the Transfer Date using a discount rate equal to the Base Rate), and

(b) the excess, if any, of (I) the present value of the Transfer Expenses that Tenant would have incurred under the Proposed Transfer Terms, over (II) the present value of the consideration (if any) that would have been payable by the Transferee to Tenant under the Proposed Transfer Terms (in either case calculated as of the Transfer Date using a discount rate equal to the Base Rate).

Tenant shall pay the amounts described in clauses (a) and (b) above on the Transfer Date. Tenant's obligation to pay such amounts to Landlord shall survive the termination of this Lease (or the termination of this Lease only with respect to the Recapture Space, as the case may be).

17.4. Certain Transfer Rights.

Subject to Section 17.7 hereof, Landlord shall not unreasonably withhold, condition or delay Landlord's consent to Tenant's consummating a Transfer, provided that:

(A) Tenant has theretofore instituted the Recapture Procedure for such Transfer; provided, however, that Tenant shall not be required to have instituted the Recapture Procedure for a Transfer that is proposed to be consummated by a Permitted Party other than Tenant;

(B) Landlord's right to elect to consummate a Recapture Sublease or a Recapture Termination (as the case may be) with respect to the proposed Transfer has lapsed (without Landlord's having exercised Landlord's rights to consummate a Recapture Sublease or a Recapture Termination (as the case may be)); provided, however, that this Section 17.4(B) shall not apply for a Transfer that is proposed to be consummated by a Permitted Party other than Tenant;

(C) the Transfer is on terms that are at least as favorable to Tenant as the Proposed Transfer Terms; provided, however, that this Section 17.4(C) shall not apply for a Transfer that is proposed to be consummated by a Permitted Party other than Tenant;

(D) the Transfer occurs no earlier than the thirtieth (30th) day before the Transfer Date and no later than the thirtieth (30th) day after the Transfer Date; provided, however, that this Section 17.4(D) shall not apply for a Transfer that is proposed to be consummated by a Permitted Party other than Tenant;

(E) Tenant submits to Landlord a counterpart of the documents that Tenant intends to use to consummate the proposed Transfer, which have been executed and delivered by Tenant and the proposed Transferee, and which are subject to no conditions to the effectiveness thereof (other than Landlord's

granting Landlord's consent thereto);

(F) the Premises has not been listed or otherwise publicly advertised at a rental rate that is less than the prevailing rental rate set by Landlord for comparable space in the Building, or, if there is no comparable space, the prevailing rental rate reasonably determined by Landlord (it being agreed that nothing contained in this clause (F) prohibits Tenant from (I) consummating a Transfer at a rental rate that is less than such prevailing rate, or (II) disseminating broker's fliers or other marketing materials that indicate that the rental rate for the Premises is available upon request);

(G) no Event of Default has occurred and is continuing;

(H) the proposed Transferee has a financial standing that is reasonably satisfactory to Landlord;

(I) the proposed Transferee is of a character, is engaged in a business, and proposes to use the Premises in a manner that in each case is in keeping with the standards of a first-class office building in the vicinity of the Building;

(J) the proposed Transferee, or any Affiliate of the proposed Transferee, does not occupy any space in the Building;

(K) neither the proposed Transferee, nor an Affiliate of the proposed Transferee, is a Person with whom Landlord is then engaged in *bona fide* negotiations regarding the leasing or subleasing of space in the Building;

(L) if the Transfer constitutes a sublease, then the term thereof shall be for no less than one (1) year (unless such term commences less than one (1) year before the Fixed Expiration Date, in which case the term thereof shall extend for the remaining balance of the Term, with the understanding that a sublease shall be deemed to extend for the remaining balance of the Term for purposes of this clause (M) if the term of such sublease expires no earlier than one (1) day before the Fixed Expiration Date);

(M) any sublease of the Premises does not consist of less than the entire Rentable Area thereof;

(N) the use of the Premises by the Transferee does not violate any rights that Landlord has theretofore granted to a third party;

(O) Tenant, and the Transferee, executes and delivers to Landlord a consent to the Transfer in a form reasonably designated by Landlord;

(P) if the Transfer constitutes an assignment of the tenant's interest under this Lease, the assignee has expressly assumed all of the obligations of Tenant hereunder to the extent accruing from and after the date that the Transfer is effective; and

(Q) if the Transfer constitutes a sublease, such sublease provides expressly that (i) such sublease is subject and subordinate to the Lease (and to the terms thereof), and (ii) if this Lease terminates, then Landlord, at Landlord's option, may take over all of the right, title and interest of Tenant under such sublease, and the Transferee, at Landlord's option, shall attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not be:

(1) liable for any act or omission of Tenant under such sublease (except for any such acts or omissions that (x) continue after the date that Landlord succeeds to the interest of the Transferor under such sublease, and (y) may be remedied by the providing a service or performing a repair),

(2) subject to any defense or offsets which the Transferee may have against Tenant that accrue prior to the date that Landlord succeeds to the interest of the Transferor,

(3) bound by any previous payment that the Transferee made to Tenant more than thirty (30) days in advance of the date that such payment was due,

(4) bound by any obligation to make any payment to or on behalf of the Transferee that accrues prior to the date that Landlord succeeds to the interest of the Transferor under such sublease,

(5) bound by any obligation to perform any work or to make improvements to the Premises (other than the obligation to perform maintenance, repairs or restoration that in each case first becomes necessary from and after the date that Landlord succeeds to the interest of the Transferor under such sublease) (with the understanding, however, that if (I) the Premises is damaged by fire or other casualty, or affected by condemnation, prior to the date that Landlord succeeds to the interest of the Transferor under such sublease, (II) Landlord would have otherwise been required to perform the restoration of the Premises, or the applicable portion thereof, that is required by virtue of such fire or other casualty, or such condemnation, in accordance with the terms hereof, and (III) Landlord does not elect to perform such restoration by giving notice thereof to the subtenant on or prior to the tenth (10^{th}) day after the date that Landlord so succeeds, then such subtenant shall have the right to terminate such sublease (and such subtenant's obligation to so attorn to Landlord, as aforesaid) by giving notice thereof to Landlord within ten (10) days after the last day of such period of ten (10) days during which Landlord has the right to give such notice to such subtenant),

(6) bound by any amendment or modification of such sublease made without Landlord's consent, or

(7) bound to return the Transferee's security deposit, if any, until such deposit has come into Landlord's actual possession and the Transferee is entitled to such security deposit pursuant to the terms of such sublease (the requirements of a proposed sublease as set forth in this Section 17.4(Q) being collectively referred to herein as the "Basic Sublease Provisions").

Landlord shall have the right to withhold Landlord's consent to any proposed Transfer made by any Person (other than Tenant) in Landlord's sole and absolute discretion.

17.5. Transfer Taxes.

Tenant shall pay any transfer taxes (and other similar charges and fees) that any Governmental Authority imposes in connection with any Transfer (including, without limitation, any such transfer taxes, charges or fees that a Governmental Authority imposes in connection with Landlord's exercising Landlord's rights to consummate a Recapture Sublease or a Recapture Termination (as the case may be)).

17.6. Transfer Profit.

(A) Subject to the terms of this Section 17.6 and Section 17.7 hereof, Tenant shall pay as additional rent to Landlord, on the first (1st) day of each calendar month during the Term in the same manner as Fixed Rent, an amount equal to the excess of (I) fifty percent (50%)

of the Transfer Profit for each Transfer that is determined as of the last day of the immediately preceding calendar month, over (II) the aggregate amount of the payments that Tenant has theretofore paid to Landlord for such Transfer under this Section 17.6(A).

(B)

(1) The term "Transfer Profit" shall mean, with respect to any particular Transfer, the excess (if any) of (x) the Transfer Inflow for such Transfer for the period beginning on the first (1st) day of the term of the applicable Transfer (if such Transfer is a sublease or sublicense) or the date that such Transfer becomes effective (if such Transfer is an assignment of the tenant's interest under this Lease) (as the case may be), over (y) the sum of (a) the Transfer Outflow for such Transfer for such period, and (b) the Amortized Transfer Expenses for such Transfer for such period.

(2) The term "Transfer Inflow" shall mean, with respect to any particular Transfer for any particular period, the amount that Tenant receives during such period from or on behalf of the Transferee in connection with the applicable Transfer.

(3) The term "Transfer Outflow" shall mean:

(a) with respect to any Transfer that is a sublease or sublicense, the aggregate amount that Tenant pays during the applicable period for the Premises to Landlord as Rental under this Lease, and

(b) with respect to any Transfer that is an assignment of the tenant's interest under this Lease, the Transfer Outflow thereof shall be zero.

(C) If Tenant (or an Affiliate thereof) receives in a transaction that occurs concurrently with the applicable Transfer consideration from the Transferee (or an Affiliate thereof) for the sale or lease of personal property or for services that Tenant (or an Affiliate thereof) agrees to provide for the Transferee (or an Affiliate thereof), then (I) the Transfer Inflow shall include (in addition to the consideration that Tenant receives for the Transfer) an amount equal to such other consideration, and (II) the Transfer Outflow shall include (in addition to the items that are otherwise includible in Transfer Outflow for purposes hereof) (a) the cost that Tenant (or such Affiliate thereof) incurs in acquiring the personal property that Tenant (or such Affiliate thereof) sells to the Transferee (or an Affiliate thereof) in such concurrent transaction (to the extent that such cost has not theretofore been amortized in accordance with generally accepted accounting principles), (b) the amortization of the cost that Tenant (or such Affiliate thereof) incurs in acquiring any personal property that Tenant (or such Affiliate thereof) leases to the Transferee, or (c) the cost that Tenant (or an Affiliate thereof) incurs in providing such services, as the case may be.

17.7. Permitted Transfers.

(A) The term "Net Worth Assignment Requirement" shall mean the requirement that Tenant has provided to Landlord, not later than the tenth (10th) Business Day

after the applicable assignment has been consummated, a balance sheet for Tenant and an audited balance sheet for the assignee that in either case is dated no earlier than the last day of the most recently ended fiscal quarter (or the last day of the fiscal quarter that immediately precedes the most recently ended fiscal quarter, if the applicable assignment occurs less than sixty (60) days after the last day of the most recently ended fiscal quarter) and that reflects that the assignee's tangible net worth, as determined in accordance with generally accepted accounting principles, consistently applied, is not less than the greater of (I) the tangible net worth of Tenant on the Commencement Date, and (II) the tangible net worth of Tenant on the date of such most recent balance sheet, as aforesaid.

(B) Tenant shall have the right to assign Tenant's entire interest under this Lease to an Affiliate of Tenant without (x) Landlord's prior approval, (y) Landlord's having the right to consummate a Recapture Termination in respect thereof, and (z) Tenant's being required to pay Transfer Profit to Landlord in connection therewith, provided that in each case (i) Tenant gives to Landlord, not later than the tenth (10th) Business Day after any such assignment is consummated, an instrument, duly executed by Tenant and the aforesaid Affiliate of Tenant, in form reasonably satisfactory to Landlord, to the effect that such Affiliate assumes all of the obligations of Tenant under this Lease to the extent arising from and after the date of such assignment, (ii) Tenant, with such notice, provides Landlord with reasonable evidence to the effect that the Person to which Tenant is so assigning Tenant's interest under this Lease constitutes an Affiliate of Tenant, and (iii) the Net Worth Assignment Requirement is satisfied.

(C) The merger or consolidation of Tenant into or with another Person shall be permitted without (x) Landlord's prior approval, (y) Landlord's having the right to consummate a Recapture Termination in respect thereof, and (z) Tenant's being required to pay Transfer Profit to Landlord in connection therewith, provided that in each case (i) such merger or consolidation is not principally for the purpose of transferring Tenant's interest in this Lease, (ii) Tenant gives Landlord notice of such merger or consolidation not later than the tenth (10th) Business Day after the occurrence thereof, (iii) Tenant, within ten (10) Business Days after such merger or consolidation, provides Landlord with reasonable evidence that the requirement described in clause (i) above has been satisfied, and (iv) the Net Worth Assignment Requirement is satisfied.

(D) The assignment of Tenant's entire interest under this Lease in connection with the sale of all or substantially all of the assets of Tenant shall be permitted without (x) Landlord's prior approval, (y) Landlord's having the right to consummate a Recapture Termination in respect thereof, and (z) Tenant's being required to pay Transfer Profit to Landlord in connection therewith, provided that in each case (i) Tenant gives to Landlord, not later than the tenth (10th) Business Day after any such assignment is consummated, an instrument, duly executed by Tenant and the Transferee, in form reasonably satisfactory to Landlord, to the effect that such Transferee assumes all of the obligations of Tenant to the extent arising under this Lease from and after the date of such assignment, (ii) such sale of all or substantially all of the assets of Tenant is not principally for the purpose of transferring Tenant's interest in this Lease, (iii) Tenant, within ten (10) Business Days after such sale, provides Landlord with reasonable evidence that the requirement described in clause (ii) above has been satisfied, and (iv) the Net Worth Assignment Requirement is satisfied.

(E) The direct or indirect transfer of shares or equity interests in Tenant (including, without limitation, the issuance of treasury stock, or the creation or issuance of a new class of stock, in either case in the context of an initial public offering or in the context of a subsequent offering of equity securities) shall be permitted without (x) Landlord's prior approval, (y) Landlord's having the right to consummate a Recapture Termination in respect thereof, and (z) Tenant's being required to pay Transfer Profit to Landlord in connection therewith, provided that in each case (i) such transfer is not principally for the purpose of transferring the interest of Tenant under this Lease, (ii) Tenant gives Landlord notice of such transfer not later than the tenth (10th) Business Day after the occurrence thereof, and (iii) Tenant, within ten (10) Business Days after the date that such transfer occurs, provides Landlord with reasonable evidence that the requirement described in clause (i) has been satisfied (except that Tenant shall not be required to comply with this clause (iii) to the extent that such direct or indirect transfer of shares or equity interests is accomplished through the public "over-the-counter" securities market or through any recognized stock exchange).

(F) Tenant shall have the right to sublease or license the Premises to an Affiliate of Tenant, without (x) Landlord's prior approval, (y) Landlord's having the right to consummate a Recapture Termination or a Recapture Sublease in respect thereof, and (z) Tenant's being required to pay Transfer Profit to Landlord in connection therewith, provided that in each case (i) Tenant gives to Landlord a copy of such sublease or license, not later than the tenth (10th) Business Day after any such sublease or license is consummated, (ii) Tenant, with such copy of such sublease or license, provides Landlord with reasonable evidence to the effect that the Person to which Tenant is so subleasing or licensing the Premises constitutes an Affiliate of Tenant, and (iii) such sublease includes the Basic Sublease Provisions.

(G) If (I) Tenant assigns Tenant's entire interest under this Lease to an Affiliate of Tenant without Landlord's consent as provided in this Section 17.7 and without paying to Landlord any Transfer Profit that derives therefrom, and (II) the assignee subsequently assigns the interest of such assignee under this Lease to a third party in a Transfer that is not governed by the provisions of this Section 17.7, then, for purposes of calculating the Transfer Profit that is due to Landlord for such subsequent assignment, the parties shall assume that the assignment that Tenant consummated without Landlord's approval under this Section 17.7 did not occur previously (and, accordingly, the parties, in calculating Transfer Profit for such Transfer that is not governed by this Section 17.7, shall include any Transfer Profit that resulted from the prior Transfer from Tenant to its Affiliate).

17.8. Special Occupants.

Tenant may permit portions of the Premises to be occupied, at any time and from time to time, by Persons who are not members, officers or employees of Tenant (each such Person who is permitted to occupy portions of the Premises pursuant to this Section 17.8 being referred to herein as a "Special Occupant"), without (x) Landlord's prior approval or consent, (y) Landlord's having the right to consummate a Recapture Termination or a Recapture Sublease in respect thereof, and (z) Tenant's being required to pay Transfer Profit to Landlord in connection therewith, provided that, in each case, (i) no demising walls are erected in the Premises

separating the space used by a Special Occupant from the remainder of the Premises, (ii) the Special Occupant uses the Premises in conformity with all applicable provisions of this Lease, (iii) the use of any portion of the Premises by any Special Occupant shall not create any right, title or interest of the Special Occupant in or to the Premises, (iv) no more than one (1) Special Occupant (in addition to Tenant) shall occupy the Premises or any portion thereof at any given time during the Term, (v) the portion of the Premises used by any such Special Occupant shall not exceed two (2) offices, (vi) such Person maintains a business relationship with Tenant (other than by virtue of such occupancy) and such business relationship extends during the term of such occupancy, (vii) the Special Occupant does not pay for its occupancy rights an amount greater than the Rental that is reasonably allocable to the portion of the Premises that the Special Occupant has the right to occupy, and (viii) at least ten (10) days prior to a Special Occupant taking occupancy of a portion of the Premises, Tenant gives notice to Landlord advising Landlord of (1) the name and address of such Special Occupant, (2) the character and nature of the business to be conducted by such Special Occupant, (3) the number of square feet of Rentable Area to be occupied by such Special Occupant, (4) the duration of such occupancy, and (5) the rent, if any, to be paid by such Special, Occupant for its use of the applicable portion of the Premises. Within ten (10) Business Days after request by Landlord from time to time, Tenant shall provide Landlord with a list of the names of all Special Occupants then occupying any portion of the Premises and a description of the spaces occupied thereby.

Article 18
LANDLORD'S RIGHT TO RELOCATE TENANT

18.1. Landlord's Rights.

(A) Subject to the terms of this Section 18.1, Landlord, at any time and from time to time during the Term, shall have the right to relocate Tenant from the Premises (the Premises from which Tenant is being relocated pursuant to this Section 18.1 being referred to herein as the "Old Premises") to other space in the Building (such other space being referred to as the "New Premises"; Landlord's aforesaid right to relocate Tenant from the Old Premises to the New Premises being referred to herein as the "Relocation Option").

(B) Landlord shall have the right to exercise the Relocation Option only by giving notice thereof (the "Relocation Notice") to Tenant not later than forty-five (45) days before the date that the aforesaid relocation becomes effective (the date that the relocation becomes effective being referred to herein as the "Relocation Date"). A Relocation Notice shall not be effective for purposes of this Section 18.1 unless Landlord includes therewith a floor plan identifying the New Premises. The New Premises shall (i) be comprised of Rentable Area equal to or greater than the Rentable Area of the Old Premises, and

(ii) be similar in configuration to the Old Premises. Landlord, at Landlord's expense, shall construct in the New Premises, not later than the Relocation Date, an interior installation that is as comparable as reasonably practicable to the interior installation that then exists in the Old Premises.

(C) Tenant shall cooperate reasonably with Landlord in connection with Landlord's designing and performing the construction of such interior installation in the New Premises. Such interior installation that Landlord constructs in the New Premises shall constitute the same Alterations and Specialty Alterations (as the case may be) as the corresponding Alterations and Specialty Alterations constituted in the Old Premises (from and after the date that Landlord completes the installation thereof in accordance with the terms of this Section 18.1). Tenant shall vacate the Old Premises and surrender vacant and exclusive possession of the Old Premises to Landlord on or before the Relocation Date, provided that Landlord has theretofore delivered vacant and exclusive possession of the New Premises to Tenant in accordance with the terms of this Section 18.1. Tenant shall not be required to remove any Alterations from the Old Premises by virtue of Landlord's exercise of the Relocation Option. Landlord shall reimburse Tenant for any reasonable moving expenses and for any other reasonable costs and expenses incurred by Tenant in so relocating to the New Premises from the Old Premises, within thirty (30) days after Tenant's request therefor and Tenant's submission to Landlord of reasonable supporting documentation therefor.

(D) From and after the Relocation Date, all references to the Premises herein shall mean the New Premises rather than the Old Premises.

(E) In the event that Landlord exercises the Relocation Option and delivers the Relocation Notice to Tenant, Tenant shall have the right to terminate this Lease ("Tenant's Termination Right"), effective as of the Relocation Date, by providing Landlord with notice within five (5) days of Tenant's receipt of the Relocation Notice from Landlord (time being of the essence). If Tenant exercises Tenant's Termination Right as provided in this Section 18.1(E), then Tenant, on the Relocation Date, shall vacate the Premises and surrender the Premises to Landlord in accordance with the terms of this Lease that govern Tenant's obligations upon the expiration or earlier termination of the Term and the Relocation Date shall be deemed the Expiration Date for purposes of this Lease.

Article 19
DEFAULT

19.1. Events of Default.

The term "Event of Default" shall mean the occurrence of any of the following events:

(A) Tenant fails to pay any installment of Fixed Rent when due and such failure continues for five (5) Business Days after the date that Landlord gives notice of such failure to Tenant; provided, however, that if (x) Tenant fails to pay any installment of Fixed Rent when due, (y) Tenant has theretofore failed to pay at least three (3) installments of Fixed Rent when due during the immediately preceding period of twelve (12) months, and (z) Landlord has theretofore given Tenant notice of Tenant's aforesaid failure to pay when due at least three (3) installments of Fixed Rent during such period of twelve (12) months, then Tenant's failure to pay such installment of Fixed Rent shall constitute an Event of Default (without Landlord's being required to first give Tenant notice of such failure and an opportunity to cure such failure, as aforesaid);

(B) Tenant fails to pay any installment of Rental (other than Fixed Rent) when due and such failure continues for five (5) Business Days after the date that Landlord gives notice of such failure to Tenant;

(C) Tenant's interest under this Lease (or the subtenant's interest under a sublease that Tenant consummates in accordance with the terms of Article 17 hereof) devolves upon or passes to any other Person, whether by operation of law or otherwise, except as expressly permitted under Article 17 hereof, and such Transfer is not reversed within ten (10) days after the date that such Transfer occurs;

(D) Tenant defaults in respect of Tenant's obligations under Section 4.8 hereof, and such default continues for more than three (3) Business Days after Landlord gives Tenant notice thereof;

(E) Tenant defaults in respect of Tenant's obligations under Section 7.5(A)(4) hereof, and such default continues for more than five (5) Business Days after Landlord gives Tenant notice thereof;

(F) if Tenant deposits the Letter of Credit with Landlord in accordance with the terms of Section 23.2 hereof, (i) Landlord presents the Letter of Credit for payment in accordance with the terms hereof, (ii) the issuer thereof fails to make payment thereon in accordance with the terms thereof, and (iii) either Tenant or such issuer fails to make such payment to Landlord within four (4) Business Days after the date that Landlord gives Tenant notice of such failure of such issuer;

(G) Tenant fails to deposit with Landlord any portion of the Cash Security Deposit that Landlord applies after the occurrence of an Event of Default as provided in Section 23.3 hereof or provide Landlord with a replacement Letter of Credit after Landlord presents the Letter of Credit for payment to apply the proceeds thereof after the occurrence of an Event of Default as provided in Section 23.3 hereof in either case within five (5) Business Days after the date that Landlord gives Tenant notice demanding that Tenant make such deposit or provide such replacement;

(H) Tenant defaults in the observance or performance of any other covenant of this Lease on Tenant's part to be observed or performed and Tenant fails to remedy such default within twenty (20) days after Landlord gives Tenant notice thereof, except that if (i) such default cannot be remedied with reasonable diligence during such period of thirty (30) days, (ii) Tenant takes reasonable steps during such period of thirty (30) days to commence Tenant's remedying of such default, and (iii) Tenant prosecutes diligently Tenant's remedying of such default to completion, then an Event of Default shall not occur by reason of such default; or

(I) the Premises are abandoned.

19.2. Termination.

If (1) an Event of Default occurs, and (2) Landlord, at any time thereafter, at Landlord's option, gives a notice to Tenant stating that this Lease and the Term shall expire and terminate on the third (3rd) Business Day after the date that Landlord gives Tenant such notice, then this Lease and the Term and all rights of Tenant under this Lease shall expire and terminate as of the third (3rd) Business Day after the date that Landlord gives Tenant such notice, and Tenant immediately shall quit and surrender the Premises, but Tenant shall nonetheless remain liable for all of its obligations hereunder, as provided in Article 21 hereof and Article 22 hereof.

Article 20
TENANT'S INSOLVENCY

20.1. Assignments pursuant to the Bankruptcy Code.

(A) The term "Bankruptcy Code" shall mean 11 U.S.C. Section 101 et seq., or any statute of similar nature and purpose.

(B) If Tenant, Tenant's trustee or Tenant as debtor-in-possession (each, an "Insolvency Party") proposes to assign the tenant's interest hereunder pursuant to the provisions of the Bankruptcy Code to any Person that has made a *bona fide* offer to accept an assignment of the tenant's interest under this Lease on terms acceptable to Tenant, then the Insolvency Party shall give to Landlord notice of such proposed assignment no later than twenty (20) days after the date that the Insolvency Party receives such offer, but in any event no later than ten (10) days before the date that the Insolvency Party makes application to a court of competent jurisdiction for authority and approval to consummate such assignment. Such notice given by the Insolvency Party to Landlord shall (a) set forth the name and address of such Person that has made such *bona fide* offer, (b) set forth all of the terms and conditions of such *bona fide* offer, and (c) confirm that such Person will provide to Landlord adequate assurance of future performance that conforms with the terms of Section 20.1(D) hereof. Landlord shall have the right to accept an assignment of this Lease upon the same terms and conditions and for the same consideration, if any, as the *bona fide* offer made by such Person (less any brokerage commissions that would otherwise be payable by the Insolvency Party out of the consideration to be paid by such Person in connection with such assignment of the tenant's interest under this Lease), by giving notice thereof to the Insolvency Party at any time prior to the effective date of such proposed assignment.

(C) Tenant shall pay to Landlord an amount equal to the reasonable Out-of-Pocket Costs that Landlord incurs in connection with Tenant's assignment of the tenant's interest hereunder pursuant to the provisions of the Bankruptcy Code, within thirty (30) days after Landlord's submission to Tenant of an invoice therefor that contains reasonable supporting documentation for the charges described therein.

(D) A Person that submits a *bona fide* offer to take by assignment the tenant's interest under this Lease as described in Section 20.1(B) hereof shall be deemed to have provided

Landlord with adequate assurance of future performance only if such Person (a) deposits with Landlord simultaneously with such assignee's taking by assignment the tenant's interest under this Lease an amount equal to the then annual Fixed Rent, as security for the faithful performance and observance by such assignee of the tenant's obligations of this Lease (and such Person gives to Landlord, at least five (5) days prior to the date that the proposed assignment becomes effective, information reasonably satisfactory to Landlord that indicates that such Person has the ability to post such deposit), (b) gives to Landlord, at least five (5) days prior to the date that the proposed assignment becomes effective, such Person's financial statements, audited by a certified public accountant in accordance with generally accepted accounting principles, consistently applied, for the three (3) fiscal years that immediately precede such assignment, that indicate that such Person has a tangible net worth of at least ten (10) times the then annual Fixed Rent for each of such three (3) years, and (c) gives to Landlord, at least five (5) days prior to the date that the proposed assignment becomes effective, such other information or takes such action that in either case Landlord, in its reasonable judgment, determines is necessary to provide adequate assurance of the performance by such assignee of the obligations of the tenant under this Lease; provided, however, that in no event shall such adequate assurance of future performance be less favorable to Landlord than the assurance contemplated by Section 365(b)(3) of the Bankruptcy Code (notwithstanding that this Lease may not be construed as a lease of real property in a shopping center).

(E) If Tenant's interest under this Lease is assigned to any Person pursuant to the provisions of the Bankruptcy Code, then any such assignee shall (x) be deemed without further act or deed to have assumed all the obligations of the tenant arising under this Lease from and after the date of such assignment, and (y) execute and deliver to Landlord upon demand an instrument confirming such assumption.

(F) Nothing contained in this Article 20 limits Landlord's rights against Tenant under Article 17 hereof.

20.2. Replacement Lease.

If (i) Tenant is not the Person that constituted Tenant initially, and (ii) either (I) this Lease is disaffirmed or rejected pursuant to the Bankruptcy Code, or (II) this Lease terminates by reason of occurrence of an Insolvency Event, then, subject to the terms of this Section 20.2, the Persons that constituted Tenant hereunder previously, including, without limitation, the Person that constituted Tenant initially (each such Person that previously constituted Tenant hereunder (but does not then constitute Tenant hereunder), and with respect to which Landlord exercises Landlord's rights under this Section 20.2, being referred to herein as a "Predecessor Tenant") shall (1) pay to Landlord the aggregate Rental that is then due and owing by Tenant to Landlord under this Lease to and including the date of such disaffirmance, rejection or termination, and (2) enter into a new lease, between Landlord, as landlord, and the Predecessor Tenant, as tenant, for the Premises, and for a term commencing on the effective date of such disaffirmance, rejection or termination and ending on the Fixed Expiration Date, at the same Fixed Rent and upon the then executory terms that are contained in this Lease, except that (a) the Predecessor Tenant's rights under the new lease shall be subject to the possessory rights of Tenant under this Lease

and the possessory rights of any Person claiming by, through or under Tenant or by virtue of any statute or of any order of any court, and (b) such new lease shall require all defaults existing under this Lease to be cured by the Predecessor Tenant with reasonable diligence. Landlord shall have the right to require the Predecessor Tenant to execute and deliver such new lease on the terms set forth in this Section 20.2 only by giving notice thereof to Tenant and to the Predecessor Tenant within thirty (30) days after Landlord receives notice of any such disaffirmance or rejection (or, if this Lease terminates by reason of Landlord making an election to do so, then Landlord may exercise such right only by giving such notice to Tenant and the Predecessor Tenant within thirty (30) days after this Lease so terminates). If the Predecessor Tenant defaults in its obligation to enter into said new lease for a period of ten (10) days following Landlord's request therefor, then, in addition to all other rights and remedies by reason of such default, either at law or in equity, Landlord shall have the same rights and remedies against such Predecessor Tenant as if such Predecessor Tenant had entered into such new lease and such new lease had thereafter been terminated as of the commencement date thereof by reason of such Predecessor Tenant's default thereunder.

20.3. Insolvency Events.

This Lease shall terminate automatically upon the occurrence of any of the following events:

(A) a Tenant Obligor commences or institutes any case, proceeding or other action (a) seeking relief on its behalf as debtor, or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or

(B) a Tenant Obligor makes a general assignment for the benefit of creditors; or

(C) any case, proceeding or other action is commenced or instituted against a Tenant Obligor (a) seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, which in either of such cases (i) results in any such entry of an order for relief, adjudication of bankruptcy or insolvency or such an appointment or the issuance or entry of any other order having a similar effect, and (ii) remains undismissed for a period of sixty (60) days; or

(D) any case, proceeding or other action is commenced or instituted against a Tenant Obligor seeking issuance of a warrant of attachment, execution, distraint or similar

process against all or any substantial part of its property which results in the entry of an order for any such relief which is not vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(E) a Tenant Obligor takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clauses (A), (B), (C), or (D) above; or

(F) a trustee, receiver or other custodian is appointed for any substantial part of a Tenant Obligor's assets, and such appointment is not vacated or stayed within fifteen (15) Business Days (the events described in this Section 20.3 being collectively referred to herein as "Insolvency Events").

The term "Tenant Obligor" shall mean (a) Tenant, (b) any Person that comprises Tenant (if Tenant is comprised of more than one (1) Person), (c) any partner in Tenant (if Tenant is a general partnership), (d) any general partner in Tenant (if Tenant is a limited partnership), (e) any Person that has guarantied all or any part of the obligations of Tenant hereunder, and (f) any Person that previously constituted Tenant hereunder. If this Lease terminates pursuant to this Section 20.3, then (I) Tenant immediately shall quit and surrender the Premises, and (II) Tenant shall nonetheless remain liable for all of its obligations hereunder, as provided in Article 21 hereof and Article 22 hereof.

20.4. Effect of Stay.

Notwithstanding anything to the contrary contained herein, if (i) Landlord's right to terminate this Lease after the occurrence of an Event of Default, or the termination of this Lease upon the occurrence of an Insolvency Event, is stayed by order of any court having jurisdiction over an Insolvency Event, or by federal or state statute, (ii) the trustee appointed in connection with an Insolvency Event, or Tenant or Tenant as debtor-in-possession, fails to assume Tenant's obligations under this Lease on or prior to the earliest to occur of (a) the last day of the period prescribed therefor by law, (b) the one hundred twentieth (120th) day after entry of the order for relief, or (c) a date that is otherwise designated by the court, or (iii) said trustee, Tenant or Tenant as debtor-in-possession fails to provide adequate protection of Landlord's right, title and interest in and to the Premises or adequate assurance of the complete and continuous future performance of Tenant's obligations under this Lease as provided in Section 20.1(D) hereof, then Landlord, to the extent permitted by law or by leave of the court having jurisdiction over such proceeding, shall have the right, at its election, to terminate this Lease on five (5) Business Days of advance notice to Tenant, Tenant as debtor-in-possession or said trustee, and, upon the expiration of said period of five (5) Business Days, this Lease shall cease and expire as aforesaid and Tenant, Tenant as debtor-in-possession or said trustee shall immediately quit and surrender the Premises as aforesaid.

20.5. Rental for Bankruptcy Purposes.

Notwithstanding anything contained in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, regardless of whether such amounts are expressly denominated as Rental, shall constitute rent for the purposes of Section 502(b)(6) of the Bankruptcy Code, and Tenant's payment obligations with respect thereto shall constitute obligations to be timely performed pursuant to Section 365(d) of the Bankruptcy Code.

Article 21
REMEDIES AND DAMAGES

21.1. Certain Remedies.

(A) If (x) an Event of Default occurs and this Lease and the Term expires and comes to an end as provided in Article 19 hereof, or (y) this Lease terminates as provided in Section 20.3 hereof, then:

(1) Tenant shall immediately quit and peacefully surrender the Premises to Landlord, and Landlord and its agents may, without prejudice to any other remedy which Landlord may have, (a) re-enter the Premises or any part thereof, without notice, either by summary proceedings, or by any other applicable action or proceeding, or by lawful force (without being liable to indictment, prosecution or damages therefor), (b) repossess the Premises and dispossess Tenant and any other Persons from the Premises, and (c) remove any and all of their property and effects from the Premises; and

(2) Landlord, at Landlord's option, may relet the whole or any portion or portions of the Premises from time to time, either in the name of Landlord or otherwise, to such tenant or tenants, for such term or terms ending before, on or after the Fixed Expiration Date, at such rental or rentals and upon such other conditions, which may include concessions and free rent periods, as Landlord, in its sole discretion, may determine.

(B) Landlord shall have no obligation to relet the Premises or any part thereof and shall not be liable for refusal or failure to relet the Premises or any part thereof, or, in the event of any such reletting, for refusal or failure to collect any rent due upon any such reletting. Any such refusal or failure on Landlord's part shall not relieve Tenant of any liability under this Lease or otherwise affect any such liability. Landlord, at Landlord's option, may make such repairs, replacements, alterations, additions, improvements, decorations and other physical changes in and to the Premises as Landlord, in its sole discretion, considers advisable or necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this Lease or otherwise affecting any such liability.

(C) In the event of a breach or threatened breach by Tenant, or any Persons claiming by, through or under Tenant, of any term, covenant or condition of this Lease, Landlord shall have the right to (1) enjoin or restrain such breach, (2) invoke any other remedy allowed by law or in equity as if re-entry, summary proceedings and other special remedies were not

provided in this Lease for such breach, and (3) seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease. The right to invoke the remedies hereinbefore set forth are cumulative and nonexclusive and shall not preclude Landlord from invoking any other remedy allowed at law or in equity.

21.2. No Redemption.

Tenant, on its own behalf and on behalf of all Persons claiming by, through or under Tenant, including all creditors, does hereby waive any and all rights which Tenant and all such Persons might have under any present or future law to redeem the Premises, or to re-enter or repossess the Premises, or to restore the operation of this Lease, after (a) Tenant has been dispossessed by a judgment or by warrant of any court or judge, or (b) any re-entry by Landlord, or (c) any expiration or termination of this Lease and the Term, whether such dispossess, re-entry, expiration or termination is by operation of law or pursuant to the provisions of this Lease. The words "re-enter," "re-entry" and "re-entered" as used in this Lease shall not be deemed to be restricted to their technical legal meanings.

21.3. Calculation of Damages.

(A) If this Lease terminates by reason of the occurrence of an Event of Default or by reason of the occurrence of an Insolvency Event, then Tenant shall pay to Landlord, on demand, and Landlord shall be entitled to recover:

(1) all Rental payable under this Lease by Tenant to Landlord (x) to the date that this Lease terminates, or (y) to the date of re-entry upon the Premises by Landlord, as the case may be;

(2) the excess of (a) the Rental for the period which otherwise would have constituted the unexpired portion of the Term, over (b) the net amount, if any, of rents collected under any reletting effected pursuant to the provisions of clause (2) of Section 21.1(A) hereof for any part of such period (such excess being referred to herein as a "Deficiency"), as damages (it being understood that (x) such net amount described in clause (b) above shall be calculated by deducting from the rents collected under any such reletting all of Landlord's expenses in connection with the termination of this Lease, Landlord's re-entry upon the Premises and such reletting, including, but not limited to, all repossession costs, brokerage commissions, legal expenses, attorneys' fees and disbursements, alteration costs, contributions to work and other expenses of preparing the Premises for such reletting, (y) any such Deficiency shall be paid in monthly installments by Tenant on the days specified in this Lease for payment of installments of Fixed Rent or Tax Payment (as the case may be), and (z) Landlord shall be entitled to recover from Tenant each monthly Deficiency as it arises, and no suit to collect the amount of the Deficiency for any month shall prejudice Landlord's right to collect the Deficiency for any subsequent month by a similar proceeding); and

(3) regardless of whether Landlord has collected any monthly Deficiency as aforesaid, and in lieu of any further Deficiency, as and for liquidated and agreed final damages,

an amount equal to the excess (if any) of (a) the Rental for the period which otherwise would have constituted the unexpired portion of the Term (commencing on the date immediately succeeding the last date with respect to which a Deficiency, if any, was collected), over (b) the then fair and reasonable net effective rental value of the Premises for the same period (which is calculated by (X) deducting from the fair and reasonable rental value of the Premises the expenses that Landlord would reasonably expect to incur in reletting the Premises, including, but not limited to, all repossession costs, brokerage commissions, legal expenses, attorneys' fees and disbursements, alteration costs, contributions to work and other expenses of preparing the Premises for such reletting, and (Y) taking into account the time period that Landlord would reasonably require to consummate a reletting of the Premises to a new tenant), both discounted to present value at the Base Rate. If, before presentation of proof of such liquidated damages to any court, commission or tribunal, the Premises, or any part thereof, have been relet by Landlord to any Person other than an Affiliate of Landlord for the period which otherwise would have constituted the

unexpired portion of the Term, or any part thereof, then the amount of rent reserved upon such reletting shall be deemed, prima facie, to be the fair and reasonable rental value of the Premises (or the applicable part thereof) so relet during the term of the reletting.

(B) If the Premises, or any part thereof, are relet together with other space in the Building, then the rents collected or reserved under any such reletting and the expenses of any such reletting shall be equitably apportioned for the purposes of this Section 21.3. Tenant acknowledges and agrees that in no event shall it be entitled to any rents collected or payable under any reletting, regardless of whether such rents exceed the Rental reserved in this Lease.

(C) Nothing contained in this Article 21 shall be deemed to limit or preclude the recovery by Landlord from Tenant of the maximum amount allowed to be obtained as damages by any applicable statute or rule of law, or of any sums or damages to which Landlord may be lawfully entitled in addition to the damages set forth in this Section 21.3.

Article 22
LANDLORD'S EXPENSES AND LATE CHARGES

22.1. Landlord's Costs.

(A) Tenant shall pay to Landlord an amount equal to the reasonable costs that Landlord incurs in instituting or prosecuting any legal proceeding against Tenant (or any other Person claiming by, through or under Tenant) to the extent that such legal proceeding derives from the occurrence of an Event of Default, together with interest thereon calculated at the Applicable Rate from the date that Landlord incurs such costs, within thirty (30) days after Landlord gives to Tenant an invoice therefor (it being understood that (x) Landlord shall have the right to collect such amount from Tenant as additional rent to the extent that Landlord incurs such costs during the Term and as damages to the extent that Landlord incurs such costs after the Expiration Date, and (y) the amount that Landlord has the right to collect from Tenant under this Section 22.1(A) shall be adjusted appropriately to reflect the extent to which Landlord is successful in such legal proceeding).

(B) Tenant shall pay to Landlord an amount equal to the reasonable costs that Landlord incurs in defending successfully against a claim made by Tenant (or any other Person claiming by, through or under Tenant) against Landlord that relates to this Lease in a legal proceeding, together with interest thereon calculated at the Applicable Rate from the date that Landlord incurs such costs, within thirty (30) days after Landlord gives to Tenant an invoice therefor (it being understood that (x) Landlord shall have the right to collect such amount from Tenant as additional rent to the extent that Landlord incurs such costs during the Term and as damages to the extent that Landlord incurs such costs after the Expiration Date, and (y) the amount that Landlord has the right to collect from Tenant under this Section 22.1(B) shall be adjusted appropriately to reflect the extent to which Landlord is successful in defending against such claim).

22.2. Interest on Late Payments.

If Tenant fails to pay any item of Rental on or prior to the date that such payment is due, then Tenant shall pay to Landlord, in addition to such item of Rental, as a late charge and as additional rent, an amount equal to interest at the Applicable Rate on the amount unpaid, computed from the date such payment was due to and including the date of payment. Nothing contained in this Section 22.2 limits Landlord's rights and remedies, by operation of law or otherwise, after the occurrence of an Event of Default.

Article 23
SECURITY

23.1. Security Deposit.

Subject to the terms of this Article 23, Tenant, on the date hereof, shall deposit with Landlord, as security for the performance of Tenant's obligations under this Lease, an amount in cash equal to One Hundred Seventy-Four Thousand Five Hundred Three Dollars and Thirty-Six Cents ($174,503.36) (the "Cash Security Deposit").

23.2. Letter of Credit.

Tenant, at any time during the Term, shall have the right to deliver to Landlord a "clean," unconditional, irrevocable and transferable letter of credit (the "Letter of Credit") that (i) is in the amount of the Cash Security Deposit, (ii) is in a form that is reasonably satisfactory to Landlord, (iii) is issued for a term of not less than one (1) year, (iv) is issued for the account of Landlord, (v) automatically renews for periods of not less than one (1) year unless the issuer thereof otherwise advises Landlord on or prior to the thirtieth (30th) day before the applicable expiration date, (vi) allows Landlord the right to draw thereon in part from time to time or in full, and (vii) is issued by, and drawn on, a bank that has a Standard & Poor's rating of at least "AA" (or, if Standard & Poor's hereafter ceases the publication of ratings for banks, a rating of a reputable rating agency as reasonably designated by Landlord that most closely approximates a Standard & Poor's rating of "AA" as of the date hereof) and that either (I) has an office in the city where the Building is located at which Landlord can present the Letter of Credit for payment, or (II) has an

office in the United States and allows Landlord to draw upon the Letter of Credit without presenting a draft in person (such as, for example, by submitting a draft by fax or overnight delivery service)(the aforesaid rating of the bank that issues the Letter of Credit being referred to herein as the "Bank Rating"). If Tenant gives notice to Landlord at least thirty (30) days before the date that Tenant delivers to Landlord the Letter of Credit, then Landlord shall deliver to Tenant, simultaneously with Tenant's delivery of the Letter of Credit to Landlord, the Cash Security Deposit (or the portion thereof that then remains unapplied in accordance with the terms of this Article 23). If Tenant does not give such notice to Landlord, then Landlord shall deliver to Tenant the Cash Security Deposit (or such portion thereof) on or prior to the thirtieth (30th) day after Tenant gives the Letter of Credit to Landlord.

23.3. Landlord's Rights.

If (i) an Event of Default occurs and is continuing, or (ii) Tenant fails to vacate the Premises and surrender possession thereof in accordance with the terms of this Lease upon the Expiration Date, then Landlord may apply the whole or any part of the Cash Security Deposit or present the Letter of Credit for payment and apply the proceeds thereof, as the case may be, (i) to the payment of any Rental that then remains unpaid, or (ii) to any damages to which Landlord is entitled hereunder and that Landlord incurs by reason of such Event of Default or Tenant's aforesaid failure to vacate the Premises or surrender possession thereof in accordance with the terms of this Lease upon the Expiration Date. If Landlord so applies any part of the Cash Security Deposit or the proceeds of the Letter of Credit, as the case may be, then Tenant, upon demand, shall deposit with Landlord the cash amount so applied or provide Landlord with a replacement Letter of Credit so that Landlord has the full amount of the required security at all times during the Term. If (x) Tenant deposits the Letter of Credit with Landlord as provided in Section 23.2 hereof, and (y) at any time the Bank Rating of the issuer of the Letter of Credit is less than "AA" (or, if Standard & Poor's hereafter ceases the publication of ratings for banks, the Bank Rating of the issuer of the Letter of Credit is less than a rating of a reputable rating agency as reasonably designated by Landlord that most closely approximates a Standard & Poor's rating of "AA" as of the date hereof), then Tenant shall deliver to Landlord a replacement Letter of Credit, issued by a bank that has a Bank Rating that satisfies the aforesaid requirement (and otherwise meets the requirements set forth in Section 23.2 hereof) within fifteen (15) days after the date that Landlord gives Tenant notice of such deficiency in such issuer's rating. If Tenant fails to deliver to Landlord such replacement Letter of Credit within such period of fifteen (15) days, then Landlord, in addition to Landlord's other rights at law, in equity or as otherwise set forth herein, shall have the right to present the Letter of Credit for payment and retain the proceeds thereof as security in lieu of the Letter of Credit (it being agreed that Landlord shall have the right to use, apply and transfer such proceeds in the manner described in this Article 23). Tenant shall reimburse Landlord for any reasonable costs that Landlord incurs in so presenting the Letter of Credit for payment within thirty (30) days after Landlord submits to Tenant an invoice therefor. Tenant shall not assign or encumber or attempt to assign or encumber the Cash Security Deposit. Nothing contained in this Section 23.3 limits Landlord's rights or remedies in equity, at law, or as otherwise set forth herein.

23.4. Return of Security.

Landlord shall return to Tenant the Cash Security Deposit (or the unapplied portion thereof, as the case may be) or the Letter of Credit (to the extent not theretofore presented for payment in accordance with the terms hereof), as the case may be, within thirty (30) days after Tenant performs all of the obligations of Tenant hereunder upon the expiration or earlier termination of the Term. Landlord's obligations under this Section 23.4 shall survive the expiration or earlier termination of the Term.

23.5. Transfer of Letter of Credit.

If Tenant gives the Letter of Credit to Landlord as contemplated by this Article 23, then Tenant, at Tenant's expense, shall cause the issuer thereof to amend the Letter of Credit to name a new beneficiary thereunder in connection with Landlord's assignment of Landlord's rights under this Lease to a Person that succeeds to Landlord's interest in the Real Property, promptly after Landlord's request from time to time.

23.6. Renewal of Letter of Credit.

If (i) Tenant delivers the Letter of Credit to Landlord as contemplated by this Article 23, and (ii) Tenant fails to provide Landlord with a replacement Letter of Credit that complies with the requirements of this Article 23 on or prior to the thirtieth (30^{th}) day before the expiration date of the Letter of Credit that is then expiring, then Landlord may present the Letter of Credit for payment and retain the proceeds thereof as security in lieu of the Letter of Credit (it being agreed that Landlord shall have the right to use, apply and transfer such proceeds in the manner described in this Article 23). Tenant shall reimburse Landlord for any reasonable costs that Landlord incurs in so presenting the Letter of Credit for payment within thirty (30) days after Landlord submits to Tenant an invoice therefor. Landlord also shall have the right to so present the Letter of Credit and so retain the proceeds thereof as security in lieu of the Letter of Credit at any time from and after the thirtieth (30th) day before the Expiration Date if the Letter of Credit expires earlier than the ninetieth (90th) day after the Expiration Date.

23.7. Reduction in Security Amount.

(A) Subject to the terms of this Section 23.7, Tenant shall have the right to reduce the amount of the Cash Security Deposit or the Letter of Credit, as the case may be, to One Hundred Thirty-Six Thousand Nine Hundred Eighteen Dollars and No Cents ($136,918.00) as of the date that is two (2) years after the Rent Commencement Date.

(B) Tenant shall have the right to request any such reduction only by giving notice thereof to Landlord at any time from and after the tenth (10th) day before the date that Tenant is entitled to such reduction. Tenant shall not be entitled to reduce the amount of the Cash Security Deposit or the Letter of Credit, as the case may be, if (I) an Event of Default has occurred and is continuing on the date that Tenant requests such reduction or the date that Landlord consummates such reduction, or (II) Landlord theretofore applied all or any portion of the security deposited hereunder. If Tenant requests and is entitled to any such reduction in

accordance with the terms of this Section 23.7, then Landlord shall release the appropriate amount from the Cash Security Deposit within ten (10) days after the date that Tenant makes such request or permit Tenant, at Tenant's expense, to amend or replace the Letter of Credit to reflect such reduction, as the case may be.

Article 24
END OF TERM

24.1. End of Term.

On the Expiration Date, Tenant shall quit and surrender to Landlord the Premises, vacant, broom-clean, in good order and condition, ordinary wear and tear and damage for which Tenant is not responsible under the terms of this Lease excepted, and otherwise in compliance with the provisions hereof. Tenant expressly waives, for itself and for any Person claiming by, through or under Tenant, any rights which Tenant or any such Person may have under the

provisions of Section 2201 of the New York Civil Practice Law and Rules and of any successor law of like import then in force in connection with any holdover summary proceedings that Landlord institutes to enforce the provisions of this Article 24.

24.2. Holdover.

If vacant and exclusive possession of the Premises is not surrendered to Landlord on the Expiration Date, then Tenant shall pay to Landlord on account of use and occupancy of the Premises, for each month (or any portion thereof) during which Tenant (or a Person claiming by, through or under Tenant) holds over in the Premises after the Expiration Date, (i) for the first month (or portion thereof) of such holdover, an amount equal to one hundred fifty percent (150%) of the aggregate Rental that was payable under this Lease during the last month of the Term and (ii) for each month (or portion thereof) thereafter, an amount equal to two hundred percent (200%) of the aggregate Rental that was payable under this Lease during the last month of the Term. Landlord's right to collect such amount from Tenant for use and occupancy shall be in addition to any other rights or remedies that Landlord may have hereunder or at law or in equity (including, without limitation, Landlord's right to recover Landlord's damages from Tenant that derive from vacant and exclusive possession of the Premises not being surrendered to Landlord on the Expiration Date). Nothing contained in this Section 24.2 shall permit Tenant to retain possession of the Premises after the Expiration Date or limit in any manner Landlord's right to regain possession of the Premises, through summary proceedings or otherwise. Landlord's acceptance of any payments from Tenant after the Expiration Date shall be deemed to be on account of the amount to be paid by Tenant in accordance with the provisions of this Article 24.

Article 25
NO WAIVER

25.1. No Surrender.

(A) Landlord shall be deemed to have accepted a surrender of the Premises only if Landlord executes and delivers to Tenant a written instrument providing expressly therefor.

(B) No employee of Landlord or of Landlord's agents shall have any power to accept the keys to the Premises prior to the Expiration Date. The delivery of such keys to any employee of Landlord or of Landlord's agents shall not operate as a termination of this Lease or a surrender of the Premises. If Tenant at any time desires to have Landlord sublet the Premises on Tenant's account, then Landlord or Landlord's agents are authorized to receive said keys for such purpose without releasing Tenant from any of Tenant's obligations under this Lease.

25.2. No Waiver by Landlord.

(A) Landlord's failure to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease, or any of the Rules, shall not be deemed to be a waiver thereof. The receipt by Landlord of Rental with knowledge of the breach of any covenant of this Lease by Tenant shall not be deemed a waiver of such breach.

(B) No payment by Tenant or receipt by Landlord of a lesser amount than the monthly Fixed Rent or other item of Rental herein stipulated shall be deemed to be other than on account of the earliest stipulated Fixed Rent or other item of Rental, or as Landlord may elect to apply such payment. No endorsement or statement on any check or any letter accompanying any check or payment as Fixed Rent or other item of Rental shall be deemed to be an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Fixed Rent or other item of Rental or to pursue any other remedy provided in this Lease or otherwise available to Landlord at law or in equity.

(C) Landlord's failure during the Term to prepare and deliver any invoices, and Landlord's failure during the Term to make a demand for payment under any of the provisions of this Lease, shall not in any way be deemed to be a waiver of, or cause Landlord to forfeit or surrender, its rights to collect any item of Rental which may have become due during the Term (except to the extent otherwise expressly set forth herein). Tenant's liability for such amounts shall survive the expiration or earlier termination of this Lease (except to the extent otherwise expressly set forth herein).

(D) No provision of this Lease shall be deemed to have been waived by Landlord, unless such waiver is in writing signed by Landlord.

25.3. No Waiver by Tenant.

(A) Tenant's failure to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease on Landlord's part to be performed, shall not be deemed to be a waiver. The payment by Tenant of any item of Rental or performance of any obligation of Tenant hereunder with knowledge of any breach by Landlord of any covenant of this Lease shall not be deemed a waiver of such breach, nor shall it prejudice Tenant's right to pursue any remedy against Landlord in this Lease provided or otherwise available to Tenant in law or in equity. No provision of this Lease shall be deemed to have been waived by Tenant, unless such waiver is in writing signed by Tenant.

(B) Tenant's failure during the Term to make a demand for payment under any of the provisions of this Lease shall not in any way be deemed to be a waiver of, or cause Tenant to forfeit or surrender, its rights to collect any amount which may have become due during the Term (except to the extent otherwise expressly set forth herein). Landlord's liability for such amounts shall survive the expiration or earlier termination of this Lease (except to the extent otherwise expressly set forth herein).

Article 26
JURISDICTION

26.1. Governing Law.

This Lease shall be construed and enforced in accordance with the laws of the State of New York.

26.2. Submission to Jurisdiction.

Tenant hereby (a) irrevocably consents and submits to the jurisdiction of any federal, state, county or municipal court sitting in the State of New York for purposes of any action or proceeding brought therein by Landlord against Tenant concerning any matters relating to this Lease, (b) irrevocably waives all objections as to venue and any and all rights it may have to seek a change of venue with respect to any such action or proceedings, (c) agrees that the laws of the State of New York shall govern in any such action or proceeding and waives any defense to any action or proceeding granted by the laws of any other country or jurisdiction unless such defense is also allowed by the laws of the State of New York, and (d) agrees that any final unappealable judgment rendered against it in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law. Tenant further agrees that any action or proceeding by Tenant against Landlord concerning any matters arising out of or in any way relating to this Lease shall be brought only in the State of New York, County of New York.

26.3. Waiver of Trial by Jury; Counterclaims.

(A) Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, or for the enforcement of any remedy under any statute, emergency or otherwise.

(B) If Landlord commences any summary proceeding against Tenant, then Tenant shall not interpose any counterclaim of whatever nature or description in any such proceeding (except to the extent that applicable law precludes Tenant from asserting such counterclaim in another proceeding), and shall not seek to consolidate such proceeding with any other action which may have been or will be brought in any other court by Tenant. Nothing contained in this Section 26.3(B) limits Tenant's right to assert claims against Landlord in a separate proceeding.

Article 27
NOTICES

27.1. Addresses: Manner of Delivery.

Except as otherwise expressly provided in this Lease, any bills, statements, consents, notices, demands, requests or other communications that a party desires or is required to give to the other party under this Lease shall (1) be in writing, (2) be deemed sufficiently given if (a) delivered by hand (against a signed receipt), (b) sent by registered or certified mail (return receipt requested), or (c) sent by a nationally-recognized overnight courier (with verification of delivery), and (3) be addressed in each case:

if to Tenant, at:

One Penn Plaza (Suite 3508)
New York, New York 10119

with a copy to:

Meister Seelig & Fein
140 East 45th Street
New York, New York 10017

Attn.: Matthew Kasindorf, Esq.

if to Landlord, at:

c/o Vornado Office Management LLC
888 Seventh Avenue
New York, New York 10019

Attn.: Daniel E. North

with a copy to:

Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652

Attn: Joseph Macnow

or to such other address or addresses as Landlord or Tenant may designate from time to time on at least ten (10) Business Days of advance notice given to the other in accordance with the provisions of this Article 27. Any such bill, statement, consent, notice, demand, request, or other communication shall be deemed to have been given (x) on the date that it is hand delivered, as aforesaid, or (y) three (3) Business Days after the date that it is mailed, as aforesaid, or (z) on the first (1st) Business Day after the date that it is sent by a nationally-recognized courier, as aforesaid. Any such bills, statements, consents, notices, demands, requests or other communications that the Person that is the property manager for the Building gives to Tenant in accordance with the terms of this Article 27 shall be deemed to have been given by Landlord (except that Landlord, at any time and from time to time, shall have the right to terminate or

suspend such property manager's right to give such bills, statements, consents, notices, demands, requests or other communications to Tenant by giving not less than five (5) days of advance notice thereof to Tenant).

Article 28
BROKERAGE

28.1. Broker.

Landlord and Tenant each represent to the other that it has not dealt with any broker, finder or salesperson in connection with this Lease other than Newmark & Company Real Estate, Inc., d/b/a Newmark Knight Frank (the "Broker"). Landlord shall pay Broker a commission pursuant to the terms of a separate agreement.

Article 29
INDEMNITY

29.1. Tenant's Indemnification of the Landlord Indemnitees.

(A) Subject to the terms of this Section 29.1, Tenant shall indemnify the Landlord Indemnitees, and hold the Landlord Indemnitees harmless, from and against, all losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees

and expenses) that are incurred by a Landlord Indemnitee and that derive from a claim (a "Claim Against Landlord") made by a third party against such Landlord Indemnitee arising from or alleged to arise from:

(1) a wrongful act or wrongful omission of any Tenant Indemnitee during the Term (including, without limitation, claims that derive from a Permitted Party's conducting such Permitted Party's business in the Premises) (it being understood that Tenant shall not have responsibility under this clause (1) for any wrongful act or wrongful omission of a Recapture Subtenant);

(2) an event or circumstance that occurs during the Term in the Premises or in another portion of the Building with respect to which Tenant has exclusive use pursuant to the terms hereof (subject, however, to Landlord's rights of access under Article 9 hereof) (it being understood that Tenant's liability under this clause (2) shall not apply to the extent that Landlord exercises Landlord's rights under Section 17.3 hereof with respect to the Premises);

(3) the breach of any covenant to be performed by Tenant hereunder;

(4) a misrepresentation made by Tenant hereunder (including, without limitation, a misrepresentation of Tenant under Section 28.1 hereof);

(5) a Person with whom a Permitted Party has dealt making a claim for a leasing commission or other similar compensation in connection with a Transfer;

(6) Landlord's cooperating with Tenant as contemplated by Section 7.4(A) hereof.

Tenant shall not be required to indemnify the Landlord Indemnitees, and hold the Landlord Indemnitees harmless, in either case as aforesaid, to the extent that it is finally determined that the negligence or wilful misconduct of a Landlord Indemnitee contributed to the loss or damage sustained by the Person making the Claim Against Landlord. Nothing contained in this Section 29.1 limits the provisions of Section 31.19 hereof.

(B) The term "Landlord Indemnitees" shall mean, collectively, Landlord, each Lessor, each Mortgagee and their respective partners, members, managers, shareholders, officers, directors, employees, trustees and agents.

(C) The term "Tenant Indemnitees" shall mean each Permitted Party and their respective partners, members, managers, shareholders, officers, directors, employees, trustees and agents.

(D) The parties intend that the Landlord Indemnitees (other than Landlord) shall be third-party beneficiaries of this Section 29.1.

29.2. Landlord's Indemnification of the Tenant Indemnitees.

(A) Subject to the terms of this Section 29.2, Landlord shall indemnify the Tenant Indemnitees, and hold the Tenant Indemnitees harmless, from and against, all losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) that are incurred by a Tenant Indemnitee and that derive from a claim (a "Claim Against Tenant") made by a third party against such Tenant Indemnitee arising from or alleged to arise from:

(1) the breach of any covenant to be performed by Landlord hereunder;

(2) a misrepresentation made by Landlord hereunder (including, without limitation, a misrepresentation of Landlord under Section 28.1 hereof);

(3) Landlord's failure to pay the Broker a commission or other compensation in connection herewith; or

(4) a wrongful act or wrongful omission of any Landlord Indemnitee (including, without limitation, a wrongful act or wrongful omission of the Person that has the right to occupy the Premises by virtue of Landlord's exercising Landlord's rights under Section 17.3 hereof).

Landlord shall not be required to indemnify the Tenant Indemnitees, and hold the Tenant Indemnitees harmless, in either case as aforesaid, to the extent that it is finally determined that the negligence or wilful misconduct of a Tenant Indemnitee contributed to the loss or damage sustained by the Person making the Claim Against Tenant.

(B) The parties intend that the Tenant Indemnitees (other than Tenant) shall constitute third-party beneficiaries of this Section 29.2.

29.3. Indemnification Procedure.

(A) If at any time a Claim Against Tenant is made or threatened against a Tenant Indemnitee, or a Claim Against Landlord is made or threatened against a Landlord Indemnitee, then the Person entitled to indemnity under this Article 29 (the "Indemnitee") shall give to the other party (the "Indemnitor") notice of such Claim Against Tenant or such Claim Against Landlord, as the case may be (the "Claim"); provided, however, that the Indemnitee's failure to provide such notice shall not impair the Indemnitee's rights to indemnity as provided in this Article 29 except to the extent that the Indemnitor is prejudiced materially thereby. Such notice shall state the basis for the Claim and the amount thereof (to the extent such amount is determinable at the time that such notice is given).

(B) The Indemnitor shall have the right to defend against the Claim using attorneys that the Indemnitor designates and that the Indemnitee approves (it being understood that (I) the Indemnitee shall not unreasonably withhold, condition or delay such approval, (II) the Indemnitee shall be deemed to have approved such attorneys if the Indemnitee fails to respond

within ten (10) days to the Indemnitor's request for approval, and (III) the attorneys designated by the Indemnitor's insurer shall be deemed approved by the Indemnitee for purposes hereof). The Indemnitor's failure to notify the Indemnitee of the Indemnitor's election to defend against the Claim within thirty (30) days after the Indemnitee gives such notice to the Indemnitor shall be deemed a waiver by the Indemnitor of its aforesaid right to defend against the Claim.

(C) Subject to the terms of this Section 29.3(C), if the Indemnitor elects to defend against the Claim pursuant to Section 29.3(B) hereof, then the Indemnitee may participate, at the Indemnitee's expense, in defending against the Claim. The Indemnitor shall have the right to control the defense against the Claim (and, accordingly, the Indemnitee shall cause its counsel to act accordingly). If there exists a conflict between the interests of the Indemnitor and the interests of the Indemnitee, then the Indemnitor shall pay the reasonable fees and disbursements of any counsel that the Indemnitee retains in so participating in the defense against the Claim. Except as otherwise provided in this Section 29.3(C), the Indemnitor shall not be required to pay the costs that Indemnitee otherwise incurs in engaging counsel to consult with Indemnitee in connection with the Claim.

(D) If the Claim is a Claim Against Landlord, then Landlord shall cooperate reasonably with Tenant in connection therewith. If the Claim is a Claim Against Tenant, then Tenant shall cooperate reasonably with Landlord in connection therewith.

(E) The Indemnitor shall not consent to the entry of any judgment or award regarding the Claim, or enter into any settlement regarding the Claim, except in either case with the prior approval of the Indemnitee (any such entry of any judgment or award regarding a Claim to which the Indemnitor consents, or any such settlement regarding a claim to which the Indemnitor agrees, being referred to herein as a "Settlement"). The Indemnitee shall not unreasonably withhold, condition or delay the Indemnitee's approval of a proposed Settlement, provided that (I) the Indemnitor pays, in cash, to the Person making the Claim, the entire amount of the Settlement contemporaneously with the Indemnitee's approval thereof (so that neither the Indemnitor nor the Indemnitee have any material obligations regarding the applicable Claim that remain executory from and after the consummation of the Settlement), or (II) the Person making the Claim releases the Indemnitee from any obligations owed to such Person pursuant to such Settlement that remain executory after the consummation thereof). If (x) the terms of the Settlement do not provide for the Indemnitor's making payment, in cash, to the Person making the Claim, the entire amount of the Settlement, contemporaneously with the Indemnitee's approval thereof (so that either the Indemnitor or the Indemnitee have any material obligations regarding the applicable Claim that remain executory from and after the consummation of the Settlement), (y) the Person making the Claim does not release the Indemnitee from any obligations owed to such Person pursuant to such Settlement that remain executory after the consummation thereof, and (z) the Indemnitee does not approve the proposed Settlement, then the Indemnitor's aggregate liability under this Article 29 for the Claim (including, without limitation, the costs incurred by the Indemnitor for legal costs and other costs of defense) shall not exceed an amount equal to the sum of (i) the aggregate legal costs and defense costs that the Indemnitor incurred to the date that the Indemnitor proposes such Settlement, (ii) the amount that the Indemnitor would have otherwise paid to the Person making the applicable Claim under the terms of the proposed Settlement, and (iii) the aggregate legal costs and defense costs that the Indemnitor would have reasonably expected to incur in consummating the proposed Settlement.

(F) If the Indemnitor does not elect to defend against the Claim as contemplated by this Section 29.3, then the Indemnitee may defend against, or settle, such claim, action or proceeding in any manner that the Indemnitee deems appropriate, and the Indemnitor shall be liable for the Claim to the extent provided in this Article 29.

Article 30
LANDLORD'S CONSENTS: ARBITRATION

30.1. Certain Limitations.

Subject to the terms of Section 30.2 hereof, Tenant hereby waives any claim against Landlord for Landlord's unreasonably withholding, unreasonably conditioning or unreasonably delaying any consent or approval requested by Tenant in cases where Landlord expressly agreed herein not to unreasonably withhold, unreasonably condition or unreasonably delay such consent or approval. If there is a determination that such consent or approval has been unreasonably withheld, unreasonably conditioned or unreasonably delayed, then (1) the requested consent or approval shall be deemed to have been granted, and (2) Landlord shall have no liability to Tenant for its refusal or failure to give such consent or approval. Tenant's sole remedy for Landlord's unreasonably withholding, conditioning or delaying consent or approval shall be as provided in this Article 30.

30.2. Expedited Arbitration.

(A) If (i) this Lease obligates Landlord to not unreasonably withhold, condition or delay Landlord's consent or approval for a particular matter, (ii) Landlord withholds, delays or conditions its consent or approval for such matter, and (iii) Tenant believes that Landlord did so unreasonably, then Tenant shall have the right to submit the issue of whether Landlord unreasonably withheld, delayed or conditioned such consent or approval to an Expedited Arbitration Proceeding only by giving notice thereof to Landlord on or prior to the thirtieth (30th) day after the date that Landlord denied or conditioned such consent or approval, or the thirtieth (30th) day after the date that Tenant claims that Landlord's delaying such consent or approval first became unreasonable, as the case may be.

(B) The sole decision to be made in the Expedited Arbitration Proceeding shall be whether Landlord unreasonably withheld, delayed or conditioned its consent with respect to the particular matter being arbitrated. If the decision in the Expedited Arbitration Proceeding is that Landlord unreasonably withheld, conditioned, or delayed consent with respect to such matter, then (i) Landlord shall be deemed to have consented to such matter, and (ii) Landlord shall execute and deliver documentation that is reasonably requested by Tenant to evidence such consent.

(C) The term "Expedited Arbitration Proceeding" shall mean a binding arbitration proceeding conducted in The City of New York under the Commercial Arbitration Rules of the American Arbitration Association (or its successor) and administered pursuant to the Expedited Procedures provisions thereof; provided, however, that with respect to any such arbitration, (i) the list of arbitrators referred to in Section E-5(b) shall be returned within five (5) Business Days from the date of mailing; (ii) the parties shall notify the American Arbitration Association (or its successor) by telephone, within four (4) Business Days, of any objections to the arbitrator appointed and, subject to clause (vii) below, shall have no right to object if the arbitrator so appointed was on the list submitted by the American Arbitration Association (or its successor) and was not objected to in accordance with Section E-4(b) as modified by clause (i) above; (iii) the notification of the hearing referred to in Section E-7 shall be four (4) Business Days in advance of the hearing; (iv) the hearing shall be held within seven (7) Business Days after the appointment of the arbitrator; (v) the arbitrator shall have no right to award damages or vary, modify or waive any provision of this Lease; (vi) the decision of the arbitrator shall be final and binding on the parties; and (vii) the arbitrator shall not have been employed by either party (or their respective Affiliates) during the period of three (3) years prior to the date of the Expedited Arbitration Proceeding. The arbitrator shall determine the extent to which each party is successful in such Expedited Arbitration Proceeding in addition to rendering a decision on the dispute submitted. If the arbitrator determines that one (1) party is entirely unsuccessful, then such party shall pay all of the fees of such arbitrator. If the arbitrator determines that both parties are partially successful, then each party shall be responsible for such arbitrator's fees only to the extent such party is unsuccessful (e.g., if Landlord is eighty percent (80%) successful and Tenant is twenty percent (20%) successful, then Landlord shall be responsible for twenty percent (20%) of such arbitrator's fees and Tenant shall be responsible for eighty percent (80%) of such arbitrator's fees).

Article 31
ADDITIONAL PROVISIONS

31.1. Tenant's Property Delivered to Building Employees.

Any Building employee to whom any property is entrusted by or on behalf of Tenant shall be deemed to be acting as Tenant's agent with respect to such property.

31.2. Not Binding Until Execution.

This Lease shall not be binding upon Landlord or Tenant unless and until Landlord and Tenant have executed and unconditionally delivered a fully executed counterpart of this Lease to each other.

31.3. No Third Party Beneficiaries.

Landlord and Tenant hereby acknowledge that they do not intend for any other Person to constitute a third-party beneficiary hereof, except to the extent otherwise set forth herein.

31.4. Extent of Landlord's Liability.

(A) The obligations of Landlord under this Lease shall not be binding upon the Person that constitutes Landlord initially after the sale, conveyance, assignment or transfer by such Person of its interest in the Building or the Real Property, as the case may be (or upon any other Person that constitutes Landlord after the sale, conveyance, assignment or transfer by such Person of its interest in the Building or the Real Property, as the case may be), (x) to the extent such obligations accrue from and after the date of such sale, conveyance, assignment or transfer and (y) to the extent such obligations accrue prior to the date of such sale, conveyance, assignment or transfer, provided that such transferee assumes or is deemed to have assumed by operation of law the obligations of Landlord under this Lease.

(B) The members, managers, partners, shareholders, directors, officers and principals, direct and indirect, comprising Landlord shall not be liable for the performance of Landlord's obligations under this Lease. Tenant shall look solely to Landlord to enforce Landlord's obligations hereunder.

(C) The liability of Landlord for Landlord's obligations under this Lease shall be limited to Landlord's interest in the Real Property and the proceeds thereof (including, without limitation, proceeds of a sale or refinancing of Landlord's interest in the Real Property, casualty insurance proceeds, and condemnation awards). Tenant shall not look to any property or assets of Landlord (other than Landlord's interest in the Real Property and such proceeds thereof) in seeking either to enforce Landlord's obligations under this Lease or to satisfy a judgment for Landlord's failure to perform such obligations.

31.5. Extent of Tenant's Liability.

If Tenant is a corporation, limited partnership, limited liability partnership or limited liability company, then (i) the members, managers, limited partners, shareholders, directors, officers and principals, direct and indirect, comprising Tenant shall not be liable for the performance of Tenant's obligations

under this Lease, and (ii) Landlord shall look solely to Tenant to enforce Tenant's obligations hereunder.

31.6. Survival.

Subject to the terms hereof, Tenant's liability for all amounts that are due and payable to Landlord hereunder shall survive the Expiration Date.

31.7. Recording.

Tenant shall not record this Lease. Tenant shall not record a memorandum of this Lease. Landlord shall have the right to record a memorandum of this Lease. If Landlord submits to Tenant a memorandum hereof that is in reasonable form, then Tenant shall execute, acknowledge and deliver such memorandum promptly after Landlord's submission thereof to Tenant.

31.8. Entire Agreement.

This Lease contains the entire agreement between the parties and supersedes all prior understandings, if any, with respect thereto. This Lease shall not be modified, changed, or supplemented, except by a written instrument executed by both parties.

31.9. Counterparts.

This Lease may be executed in counterparts, it being understood that all such counterparts, taken together, shall constitute one and the same agreement.

31.10. Exhibits.

If any inconsistency exists between the terms and provisions of this Lease and the terms and provisions of the Exhibits hereto, then the terms and provisions of this Lease shall prevail.

31.11. Gender: Plural.

Wherever appropriate in this Lease, personal pronouns shall be deemed to include the other gender and the singular to include the plural.

31.12. Divisibility.

If any term of this Lease, or the application thereof to any Person or circumstance, is held to be invalid or unenforceable, then the remainder of this Lease or the application of such term to any other Person or any other circumstance shall not be thereby affected, and each term shall remain valid and enforceable to the fullest extent permitted by law.

31.13. Vault Space.

If (i) Tenant uses or occupies any vaults, vault space or other space outside the boundaries of the Real Property that in each case is located below grade, and (ii) such space is diminished by any Governmental Authority or by any utility company, then such diminution shall not constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Rental, or relieve Tenant from any of its obligations under this Lease, or impose any liability upon Landlord.

31.14. Adjacent Excavation.

If an excavation is made upon land adjacent to the Building, or is authorized to be made, then Tenant, upon reasonable advance notice, shall grant to the Person causing or authorized to cause such excavation a license to enter upon the Premises for the purpose of doing such work as said Person deems necessary to preserve the Building from injury or damage and to support the same by proper foundations, without any claim for damages or indemnity against Landlord, or diminution or abatement of Rental. Landlord acknowledges that Landlord's right to access the Premises as provided in this Section 31.14 is subject to the provisions of Article 9 hereof.

31.15. Captions.

The captions are inserted only for convenience and for reference and in no way define, limit or describe the scope of this Lease or the intent of any provision thereof.

31.16. Parties Bound.

The covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of Landlord and Tenant and their respective legal representatives, successors, and, except as otherwise provided in this Lease, their assigns.

31.17. Authority.

(A) Tenant hereby represents and warrants to Landlord that (i) Tenant is duly organized and validly existing in good standing under the laws of Delaware, and possesses all licenses and authorizations necessary to carry on its business, (ii) Tenant has full power and authority to carry on its business, enter into this Lease and consummate the transaction contemplated by this Lease, (iii) the individual executing and delivering this Lease on Tenant's behalf has been duly authorized to do so, (iv) this Lease has been duly executed and delivered by Tenant, (v) this Lease constitutes a valid, legal, binding and enforceable obligation of Tenant (subject to bankruptcy, insolvency or creditor rights laws generally, and principles of equity generally), (vi) the execution,

delivery and performance of this Lease by Tenant will not cause or constitute a default under, or conflict with, the organizational documents of Tenant or any agreement to which Tenant is a party, (vii) the execution, delivery and performance of this Lease by Tenant will not violate any Requirement, and (viii) all consents, approvals, authorizations, orders or filings of or with any court or governmental agency or body, if any, required on the part of Tenant for the execution, delivery and performance of this Lease have been obtained or made.

(B) Landlord hereby represents and warrants to Tenant that (i) Landlord is duly organized and validly existing in good standing under the laws of New York, and possesses all licenses and authorizations necessary to carry on its business, (ii) Landlord has full power and authority to carry on its business, enter into this Lease and consummate the transaction contemplated by this Lease, (iii) the individual executing and delivering this Lease on Landlord's behalf has been duly authorized to do so, (iv) this Lease has been duly executed and delivered by Landlord, (v) this Lease constitutes a valid, legal, binding and enforceable obligation of Landlord (subject to bankruptcy, insolvency or creditor rights laws generally, and principles of equity generally), (vi) the execution, delivery and performance of this Lease by Landlord will not cause or constitute a default under, or conflict with, the organizational documents of Landlord or any agreement to which Landlord is a party, (vii) the execution, delivery and performance of this Lease by Landlord does not violate any Requirement, and (viii) all consents, approvals, authorizations, orders or filings of or with any court or governmental agency or body, if any, required on the part of Landlord for the execution, delivery and performance of this Lease have been obtained or made.

31.18. Rent Control.

If at the commencement of, or at any time or times during, the Term, the Rental reserved in this Lease is not fully collectible by reason of any Requirement, then Tenant shall enter into such agreements and take such other steps (without additional expense to Tenant) as Landlord may reasonably request and as may be legally permissible to allow Landlord to collect the maximum rents which may from time to time during the continuance of such legal rent restriction be legally permissible (and not in excess of the amounts reserved therefor under this Lease). Upon the termination of such legal rent restriction prior to the expiration of the Term, (a) the Rental shall become and thereafter be payable hereunder in accordance with the amounts reserved in this Lease for the periods following such termination, and (b) Tenant shall pay to Landlord, if legally permissible, an amount equal to the excess of (i) the items of Rental which would have been paid pursuant to this Lease but for such legal rent restriction, over (ii) the rents paid by Tenant to Landlord during the period or periods such legal rent restriction was in effect.

31.19. Consequential Damages.

Tenant shall have no liability for any consequential, indirect or punitive damages that Landlord suffers (it being understood, however, that nothing contained in this Section 31.19 limits Landlord's right to recover damages (x) as expressly provided in Section 21.3(A) hereof and in Section 24.2 hereof, or (y) for Tenant's failure to remove Specialty Alterations to the extent provided in Section 7.8 hereof). Landlord shall have no liability for any consequential, indirect or punitive damages that are suffered by Tenant or any Person claiming by, through or under Tenant.

31.20. Tenant's Advertising.

Tenant shall not use a picture, photograph or drawing of the Building (or a silhouette thereof) in Tenant's letterhead or promotional materials without Landlord's prior approval.

31.21. Specially Designated Nationals: Blocked Persons: Embargoed Persons.

(A) Tenant represents and warrants to Landlord that (a) Tenant and each person or entity directly or indirectly owning an interest in Tenant is (i) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the Department of the Treasury ("OFAC") and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "List"), and (ii) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, (b) none of the funds or other assets of Tenant constitute property of, or are beneficially owned, directly or indirectly, by, any Embargoed Person, (c) no Embargoed Person has any interest of any nature whatsoever in Tenant (whether directly or indirectly), (d) none of the funds of Tenant have been derived from any unlawful activity with the result that the investment in Tenant is prohibited by Requirements or that the Lease is in violation of Requirements, and (e)

Tenant has implemented procedures, and will consistently apply those procedures, to ensure the foregoing representations and warranties remain true and correct at all times. The term "Embargoed Person" means any person, entity or government subject to trade restrictions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder with the result that the investment in Tenant is prohibited by Requirements or Tenant is in violation of Requirements.

(B) Tenant covenants and agrees (a) to comply with all Requirements relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect, (b) to immediately notify Landlord in writing if any of the representations, warranties or covenants set forth in this paragraph or the preceding paragraph are no longer true or have been breached or if Tenant has a reasonable basis to believe that they may no longer be true or have been breached, (c) not to use funds from any "Prohibited Person" (as such term is defined in the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) to make any payment due to Landlord under the Lease and (d) at the request of Landlord, to provide such information as may be requested by Landlord to determine Tenant's compliance with the terms hereof.

(C) Tenant hereby acknowledges and agrees that Tenant's inclusion on the List at any time during the Lease Term shall be an Event of Default under this Lease. Notwithstanding anything herein to the contrary, Tenant shall not permit the Premises or any portion thereof to be used or occupied by any person or entity on the List or by any Embargoed Person (on a permanent, temporary or transient basis), and any such use or occupancy of the Premises by any such person or entity shall be an Event of Default under this Lease.

This page constitutes the signature page to the Lease, dated as of the 30th day of September, 2007, between ONE PENN PLAZA LLC, as landlord, and OPHTHOTECH CORPORATION, as tenant, for certain space in the building known by the street address of One Penn Plaza, New York, New York 10119

IN WITNESS WHEREOF, Landlord and Tenant have duly executed and delivered this Lease as of the date first above written.

ONE PENN PLAZA LLC, Landlord

By: Vornado Realty L.P., member

By: Vornado Realty Trust, general partner

By: 

Name: David R. Greenbaum

Title: President- New York Office Division

OPHTHOTECH CORPORATION, Tenant

By: 

Name: Samir Patel

Title: President & CEO

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Within New York State)

STATE OF)

: ss.:

COUNTY OF)

On the day of , in the year 2007, before me, the undersigned personally appeared , 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.

Notary Public

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Outside of New York State)

STATE OF NEW JERSEY)

: ss.:

COUNTY OF MERCER)

On the 28th day of September, in the year 2007, before me, the undersigned, personally appeared Samir Patel, 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), 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, and that such individual made such appearance before the undersigned in the Princeton, NJ. (Insert the city or other political subdivision and the state or country or other place the acknowledgement was taken.)

NOTARY PUBLIC
SWETA PATEL
No. 2341983
Exp. 03/21/11
STATE OF NEW JERSEY

(Signature and office of individual taking acknowledgement)

Exhibit “A”

Premises

[See Attached]

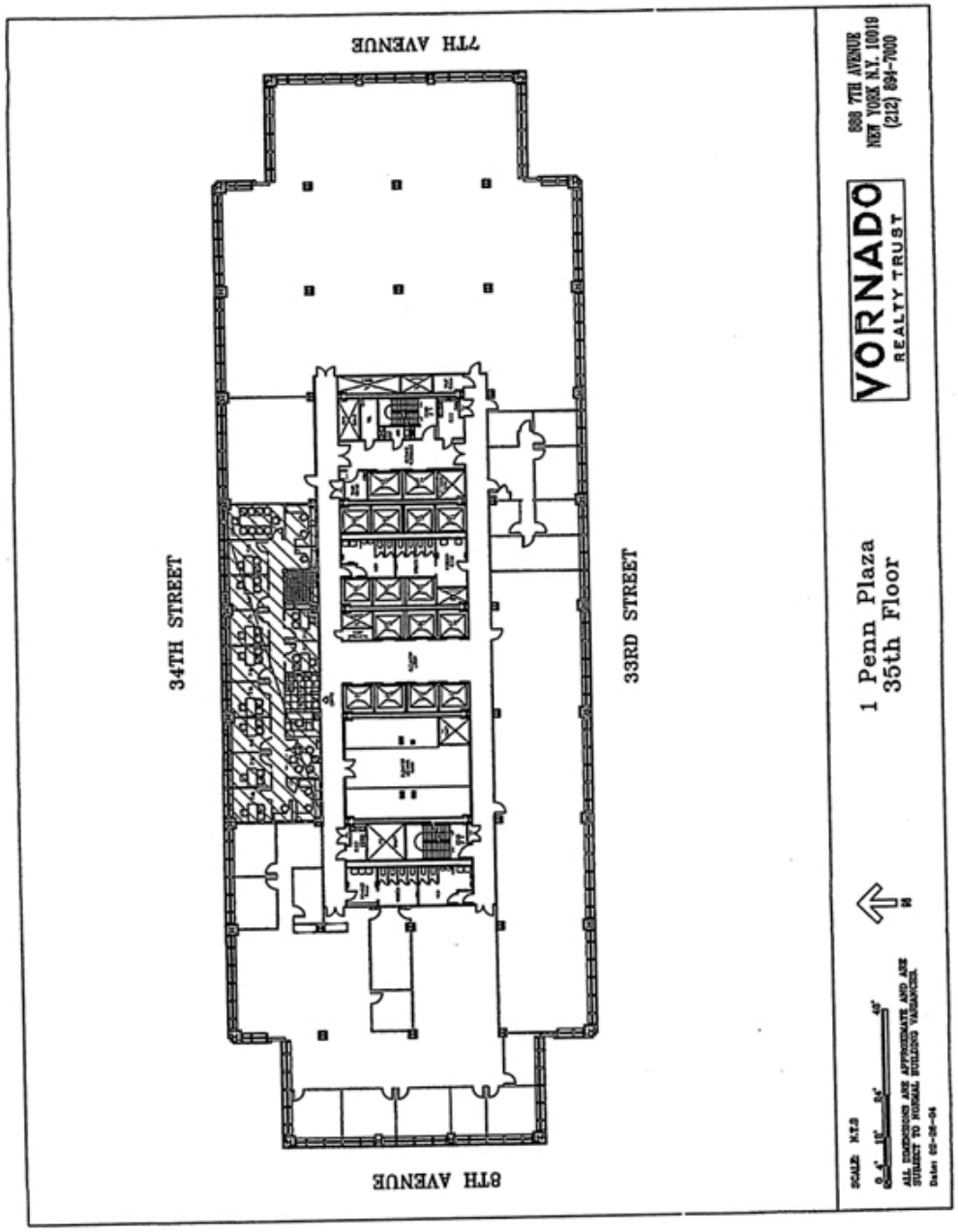

Exhibit “B”

List of Charges during Overtime Periods

[See Attached]

TENANT CHARGE PRICE LIST - Effective January 1, 2007

TYPE OF SERVICE		SERVICE COST
FREIGHT ELEVATOR	$	80.00/hr*

* *(min 4 hours on Sat, Sun & Holidays)*

ENGINEER	$	80.00/hr
PLUMBER	$	70.00/hr
ELECTRICIAN	$	70.00/hr
PORTER	$	50.00/hr
SECURITY GUARD	$	50.00/hr
Loading dock after hours		
DUMPSTERS		
Demo	$	65.00
Large	$	44.00
Small	$	22.00
20 Yard Container	$	985.00
30 Yard Container	$	1,150.00
LOCKSMITH	$	70.00/hr
key change (schlage)	*$*	*5.00*
medeco key	*$*	*10.00*
ACCESS CARD	$	25.00
DIRECTORY ADDITIONS (above Lease)	$	25.00
deletions/changes	$	4.00
ELEVATOR DIRECTORY STRIPS	$	25.00
AIR CONDITIONING		
all	$	1,202.00 per hour
upper (Floors 35-55)	$	801.00 per hour
middle (Floors 7-34)	$	655.00 per hour
lower (Floors 2-6)	$	645.00 per hour
VENTILATION		
all	$	502.00 per hour
upper (Floors 35-55)	$	346.00 per hour
middle (Floors 7-34)	$	371.00 per hour
lower (Floors 2-6)	$	371.00 per hour
HEATING		
all	$	998.00 per hour
upper (Floors 35-55)	$	537.00 per hour
middle (Floors 7-34)	$	537.00 per hour
lower (Floors 2-6)	$	620.00 per hour

All labor is charged with a half-hour minimum and does not include materials needed. All weekend labor is charged with a four (4) hour minimum.

Overtime freight elevator hours are before 8:00 AM and after 5:00 PM, Monday through Friday. **Please be advised that anytime the freight elevator is reserved for after business hours use, the Tenant will be charged for the freight elevator plus the security guard stationed in the loading dock.**

Other services can be requested. Wherever possible, we will obtain the service for you, at a charge. Also check your BMS brochure for additional cleaning service.

Exhibit “3.3”

Rules

1. Tenant shall not obstruct the common areas of the Building. Tenant shall not use the common areas of the Building for any purpose other than for the purpose that the applicable common area is used ordinarily.

2. Tenant shall not use any plumbing fixtures that are connected to Building Systems for any purpose other than the ordinary purpose for which such plumbing fixtures are installed.

3. Tenant shall not use the Premises in any manner that materially and unreasonably interferes with the use of any other portion of the Building for ordinary business purposes.

4. Tenant shall not at any time keep in the Premises any flammable, combustible or explosive substance, except for any such substances that are incidental to the use or maintenance of the Premises for ordinary office purposes or the performance of Alterations that are performed in accordance with the terms of this Lease.

5. Tenant shall not bring any bicycles, vehicles or animals of any kind (except for service animals) into the Premises or the Building.

6. Subject to Section 3.3 of the Lease, Tenant shall comply with the security procedures that Landlord reasonably adopts from time to time for the Building. Tenant acknowledges that Landlord's security procedures may include, without limitation, (i) Landlord's denying entry to the Building by any person who does not present a Building pass or who does not comply with Landlord's procedures regarding the registration of visitors to the Building, and (ii) procedures governing the inspection of freight that arrives at the loading facilities for the Building.

7. Landlord shall have the right to require Tenant to (x) direct Persons who are delivering packages to the Premises to make delivery to an office in the Building that Landlord designates (in which case Landlord shall make arrangements for such packages to be delivered to Tenant using other personnel that Landlord engages), or (y) arrange for such Persons to be escorted by a representative of Tenant while such Person makes delivery to the Premises.

8. Tenant shall subject to inspection by Landlord or Landlord's designee all items being brought into the Building by or on behalf of Tenant (including, without limitation, packages, boxes, bags, handbags, attaché cases, and suitcases). Landlord may refuse entry into the Building to any Person who refuses to cooperate with such inspection or who is carrying any item which has a reasonable likelihood of being dangerous to persons or property.

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9. Tenant, at Tenant's expense, shall operate its interior lights for the employees of Landlord during the period that such employees make repairs in the Premises or perform cleaning services in accordance with the terms of this Lease.

10. Tenant shall not canvass or solicit the other occupants of the Building. Tenant shall cooperate reasonably with Landlord in connection with Landlord's efforts to prevent any Person from canvassing, soliciting or peddling in the Building.

11. Tenant shall use in the Building only hand trucks and hand carts that in either case are equipped with rubber tires and side guards.

12. Tenant shall implement a policy that precludes its personnel from smoking in the Building and shall use reasonable efforts to enforce such policy.

Exhibit "4.4"

Cleaning Specifications

NIGHTLY (ON BUSINESS DAYS)

· Sweep hard-surfaced flooring in general office space using a dust-down preparation.

· Carpet sweep carpets in general office areas without moving heavy furniture (such as desks, file cabinets, computer stands, and sofas).

· Hand dust and wipe clean all furniture, fixtures and window sills in the general office areas that are within reach of the cleaning staff without ladders.

· Empty and clean waste receptacles in the general office areas and remove wastepaper.

· Dust the interior of waste receptacles in the general office areas.

· Wash clean water fountains and coolers in the general office areas.

· Sweep private stairways within the premises.

· Sweep and wash (using disinfectant) all floors in the base building lavatories that are located in the Building core.

· Wash and polish mirrors, shelves, bright work and enameled surfaces in the base building lavatories that are located in the Building core.

· Wash and disinfect basins, bowls and urinals in the base building lavatories that are located in the Building core.

· Wash toilet seats in the base building lavatories that are located in the Building core.

· Hand dust and clean all partitions, tile walls, dispensers and receptacles in the base building lavatories that are located in the Building core.

· Empty paper receptacles and remove wastepaper in the base building lavatories that are located in the Building core.

· Fill toilet tissue holders in the base building lavatories that are located in the Building core.

· Empty and clean sanitary disposal receptacles in the base building lavatories that are located in the Building core.

WEEKLY

- Vacuum clean carpeting and rugs in the general office areas without moving heavy furniture (such as desks, file cabinets, computer stands, and sofas).

- Dust door louvres and other ventilating louvres that are within reach of the cleaning staff without ladders.

- Wipe clean bright work.

QUARTERLY

- High dust the Premises, including the following:

  - Dust pictures, frames, charts, graphs and similar wall hangings that are not reached in nightly or weekly cleaning.

  - Dust clean vertical surfaces, such as walls, partitions, doors and door bucks and other surfaces not reached in nightly or weekly cleaning.

  - Dust pipes, ventilating and air-conditioning louvers, ducts, high moldings and other high areas not reached in nightly or weekly cleaning.

  - Dust Venetian blinds.

ADDITIONAL SERVICES

- Wash the exterior of windows periodically, subject to weather conditions and Requirements.

Tom Biancardi

From: Panzirer, Craig [CPanzirer@vno.com]

Sent: Tuesday, March 12, 2013 4:10 PM

To: Tom Biancardi

Subject: 1 Penn Plaza Lease

Tom-

Per our conversation, we will continue to let Ophthotech remain month to month tenant for the next few months. As I said to you recently, we would like to finalize your plans in the next couple of weeks.

Please call me with any questions.

Thanks
CP

Craig Panzirer
Senior Vice President — Leasing
Vornado Realty Trust
888 Seventh Avenue — 44th Floor
New York, NY 10019
Telephone 212-894-7438
Fax 212-894-7483
cpanzirer@vno.com

AMENDMENT OF LEASE

THIS AMENDMENT OF LEASE, made as of the 30th day of August, 2013 (this "Amendment"), by and between ONE PENN PLAZA LLC, a New York limited liability company, having an office c/o Vornado Office Management LLC, 888 Seventh Avenue, New York, New York 10019 ("Landlord"), and OPHTHOTECH CORPORATION, a Delaware corporation, having an office at One Penn Plaza, New York, New York 10019 ("Tenant").

WITNESSETH:

WHEREAS, by Lease, dated as of September 30, 2007 (the "Original Lease"), between Landlord and Tenant, Landlord did demise and let unto Tenant and Tenant did hire and take from Landlord, a portion of the rentable area located on the thirty-fifth (35th) floor of the building known by the street address of One Penn Plaza, New York, New York (the "Building"), as more particularly described therein (the "Original Premises");

WHEREAS, the Original Lease was amended and modified by a letter agreement, dated as of September 28, 2012 (as so amended, the "Lease"), between Landlord and Tenant;

WHEREAS, the term of the Lease expired on October 31, 2012 (the "Prior Expiration Date"):

WHEREAS, from and after the Prior Expiration Date, Tenant continued to occupy and use and as of the date hereof, continues to occupy and use the Original Premises on a month-to-month basis in accordance with the terms of the Lease; and

WHEREAS, (x) Tenant desires surrender the Original Premises to Landlord and Landlord has agreed to accept the surrender thereof on the terms and conditions more particularly set forth herein, (y) Landlord desires to let unto Tenant and Tenant desires to hire and take from Landlord, a portion of the nineteenth (19th) floor of the Building, as more particularly shown on the floor plan attached hereto as Exhibit "A" and made a part hereof (the "New Premises"), and (z) Landlord and Tenant desire to extend the term of the Lease and to otherwise modify the Lease as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their legal representatives, successors and assigns, hereby agree as follows:

1. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Lease, unless otherwise defined herein.

2. Surrender.

(A) On or prior to the date which is ten (10) days after the New Premises Commencement Date (as hereinafter defined) (the date which is ten (10) days after the New Premises Commencement Date, the "Surrender Date"), Tenant shall vacate, quit and surrender to Landlord possession of the Original Premises, vacant, broom clean, free of all liens, encumbrances, tenancies and occupancies, with all of Tenant's Property and any property of any subtenant or other occupant removed therefrom and otherwise in the condition required by the Lease, as if the Surrender Date were the Fixed Expiration Date set forth in the Lease with respect to the Original Premises only, and, to the intent and purpose that the term of the Lease with respect to the Original Premises only, be wholly merged and extinguished effective as of the Surrender Date, Tenant hereby gives, grants and surrenders all of its right, title and interest in, to and under the Lease with respect to the Original Premises only, to Landlord. If possession of the Original Premises is not surrendered to Landlord on or prior to the Surrender Date, the provisions of Article 24 of the Lease shall be applicable to such holdover by Tenant. Nothing contained in this Paragraph 2(A) shall permit Tenant to retain possession of the Original

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Premises or limit in any manner Landlord's right to regain possession of the Original Premises, through summary proceedings or otherwise. The provisions of this Paragraph 2(A) shall survive the surrender of the Original Premises and the Surrender Date.

(B) Tenant covenants, represents and warrants to Landlord that (i) Tenant is the sole and present tenant under the Lease and Tenant has not assigned, conveyed, encumbered, pledged, sublet or otherwise transferred, in whole or in part, its interest in the Lease or the Original Premises, nor shall Tenant do any of the foregoing prior to the Surrender Date, (ii) there are no persons or entities claiming under Tenant, or who or which may claim under Tenant, any rights with respect to the Original Premises, nor shall Tenant permit any such claim to arise prior to the Surrender Date, (iii) Tenant has the right, power and authority to execute and deliver this Amendment and to perform Tenant's obligations hereunder and (iv) this Amendment is a valid and binding obligation of Tenant enforceable against Tenant in accordance with the terms hereof. The foregoing covenants, representations and warranties shall survive the surrender of the Original Premises and the Surrender Date.

(C) Subject to the terms of Paragraph 2(A) hereof, (x) any and all provisions of the Lease which impose obligations on Tenant to pay Fixed Rent and Escalation Rent with respect to the Original Premises only, shall cease as of the New Premises Commencement Date; provided, however, that such payments shall be apportioned as of such date, and the obligation to pay any such amounts shall survive the surrender of the Original Premises and the Surrender Date and (y) any and all provisions of the Lease which impose obligations on Tenant to pay any other items of Rental with respect to the Original Premises only, shall cease as of the Surrender Date; provided, however, that such payments shall be apportioned as of such date, and the obligation to pay any such amounts shall survive the surrender of the Original Premises and the Surrender Date. Nothing contained herein shall be deemed to relieve Tenant from Tenant's obligation to pay Rental with respect to the New Premises as set forth in Paragraph 5(A) hereof.

(D) Effective as of Surrender Date, Tenant hereby releases and relieves Landlord and its successors and assigns from and against any and all actions, causes of action, suits, controversies, damages, judgments, claims and demands whatsoever, at law or in equity, of every kind and nature whatsoever arising out of, or in connection with, the Original Premises or the Lease with respect to the Original Premises only.

(E) Provided that Tenant has complied with all of the terms and conditions of this Amendment (other than those obligations which by the terms of this Amendment are to be performed after the Surrender Date), Landlord, on the Surrender Date, shall accept Tenant's surrender of the Original Premises and, effective as of the Surrender Date, except as otherwise set forth in this Amendment, hereby releases and relieves Tenant and its respective successors and assigns from and against all claims, obligations and liabilities of every kind and nature whatsoever thereafter arising out of or in connection with the Original Premises and the Lease with respect to the Original Premises only, relating to the period from and after the Surrender Date. Notwithstanding the foregoing, Tenant shall not be released from any covenant, representation or warranty contained in this Amendment and the Lease, which by the terms of this Amendment or the Lease is specifically stated to survive the Surrender Date, the surrender of the Original Premises, or the expiration of the Lease.

(F) Landlord and Tenant shall each complete, execute and deliver, within seven (7) days after request by either party of the other party, any questionnaire, affidavit or document with respect to the tax imposed by Title 11, Chapter 21 of the New York City Administrative Code (the "City Transfer Tax") and Article 31 of the Tax Law of the State of

New York (the "State Transfer Tax"), required to be completed, executed and delivered by Landlord and Tenant with respect to the transactions contemplated by this Amendment. The provisions of this Paragraph 2(F) shall survive the Surrender Date and the surrender of the Original Premises.

(G) Landlord and Tenant, each upon request of the other party, at any time and from time to time hereafter and without further consideration, shall execute, acknowledge and deliver to the other any instruments or documents, or take such further action, as shall be reasonably requested or as may be necessary to more effectively assure the vacation, quitting and surrender of the Original Premises and the full benefits intended to be created by this Amendment.

3. New Premises. (A) From and after the date on which Landlord delivers vacant and exclusive possession of the New Premises to Tenant with Landlord's New Work (as hereinafter defined) Substantially Complete (such date, the "New Premises Commencement Date"). Landlord leases to Tenant, and Tenant hires from Landlord, the New Premises upon all of the same terms, covenants and conditions set forth in the Lease, except as modified and amended herein. From and after the New Premises Commencement Date until the Surrender Date, all references in the Lease to the Premises shall be deemed to mean, collectively, the Original Premises and the New Premises, and from and after the Surrender Date, all references in the Lease to the Premises shall be deemed to mean the New Premises only, for all purposes of the Lease, as amended hereby.

(B) If the New Premises Commencement Date does not occur on or prior to May 1, 2014, as such date may be extended by periods of Unavoidable Delays (as hereinafter defined), Tenant New Work Delays and/or delays in connection with items of Long Lead Work

(May 1, 2014, as such date may be so extended, the "Outside Date"), then from and after the Outside Date, Tenant, shall have the right to terminate the Lease by giving Landlord notice of such termination by the tenth (10th) day after the Outside Date (the tenth (10th) day after the Outside Date, the "Termination Notice Deadline"), time being of the essence with respect thereto, which notice shall state in bold capital letters the following: **"TENANT SHALL TERMINATE THE LEASE EFFECTIVE AS OF THE NINETIETH (90th) DAY FOLLOWING THE TERMINATION NOTICE DEADLINE, UNLESS LANDLORD SHALL DELIVER VACANT AND EXCLUSIVE POSSESSION OF THE NEW PREMISES TO TENANT WITH LANDLORD'S NEW WORK SUBSTANTIALLY COMPLETE ON OR PRIOR TO THE FIFTH (5th) BUSINESS DAY FOLLOWING THE TERMINATION NOTICE DEADLINE"** and if the Tenant delivers such notice to Landlord in accordance with the terms hereof, and the New Premises Commencement Date shall not occur on or prior to the fifth (5th) Business Day after the Termination Notice Deadline, then the Lease shall be deemed terminated effective as of the ninetieth (90th) day following the Termination Notice Deadline and shall be of no force and effect except for obligations expressly surviving the Expiration Date. The foregoing shall be the only remedy available to Tenant in the event that the New Premises Commencement Date does not occur by the Outside Date. As used herein the term "Unavoidable Delays" shall mean collectively, any cause beyond Landlord's reasonable control, including, without limitation, strikes, labor troubles, acts of terrorism, the occurrence of an act of God, the impact of Requirements or the failure of the Building Systems.

4. Lease Term. The Term is hereby extended on all of the same terms and conditions set forth in the Lease, as hereinafter modified, so that the Term shall expire at 11:59 PM on the day immediately preceding the sixth (6th) anniversary of the New Premises Rent

Commencement Date (as hereinafter defined) (the day immediately preceding the sixth (6th) anniversary of the New Premises Rent Commencement Date, the "New Expiration Date"), unless it shall sooner expire pursuant to any of the terms, covenants or conditions of the Lease, as amended by this Amendment, or pursuant to law. Accordingly, the New Expiration Date shall be deemed the Fixed Expiration for all purposes of the Lease, as amended hereby. The foregoing shall not be deemed to modify the provisions of Paragraph 2 hereof.

5. Modification of Lease. From and after the New Premises Commencement Date, the Lease with respect to the New Premises only, is hereby amended and modified as follows:

(A) The Fixed Rent shall be an amount equal to:

(i) Three Hundred Ninety-Eight Thousand Nine Hundred Forty-Three and 00/100 Dollars ($398,943.00) per annum for the period commencing on the New Premises Commencement Date and ending on the day immediately preceding the date which is the third (3rd) anniversary of the New Premises Rent Commencement Date (as hereinafter defined) ($33,245.25 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease; provided; however, that if no Event of Default has occurred and is then continuing, the Fixed Rent for the period commencing on the New Premises Commencement Date and ending on the New Premises Rent Commencement Date shall be abated. The term "New Premises Rent Commencement Date" shall mean the date which is sixty (60) days after the New Premises Commencement Date; and

(ii) Four Hundred Thirty-Three Thousand Nine Hundred Thirty-Eight and 00/100 Dollars ($433,938.00) per annum for the period commencing on the third (3rd) anniversary of the New Premises Rent Commencement Date and ending on the New Expiration Date ($36,161.50 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease.

(B) The term "Rental" (as such term is defined in Section 1.2(B) of the Lease) shall mean, collectively, the Fixed Rent, the Tax Payment, the Operating Expense Payment (as such term is defined in new Section 2.5(E) of the Lease, as set forth on Exhibit "B" attached hereto and made a part hereof), additional rent payable by Tenant to Landlord under the Lease as amended hereby, and all other amounts payable by Tenant to Landlord under the Lease, as amended hereby.

(C) The term "Rentable Area" (as such term is defined in Section 1.6(J) of the Lease) shall mean, with respect to a particular floor area, the area thereof (expressed as a particular number of square feet), as determined in accordance with the standards that the parties used to calculate that the area of the New Premises is six thousand nine hundred ninety-nine (6,999) square feet in the aggregate.

(D) The term "Base Taxes" (as such term is defined in Section 2.1(B) of the Lease) shall mean the average of the Taxes payable during the Base Tax Year.

(E) The term "Base Tax Year" (as such term is defined in Section 2.1(C) of the Lease) shall mean the period consisting of two (2) fiscal years which commences on July 1, 2013 and ends on June 30, 2015 (it being understood that the Tax Payment shall be due with respect to each Tax Year following the first Tax Year in the Base Tax Year).

(F) The term "Tenant's Tax Share" (as such term is defined in Section 2.1(I) of the Lease) shall mean, subject to the terms of the Lease, as amended hereby, two thousand eight hundred seventy-seven ten-thousandths percent (0.2877%), as the same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million four hundred thirty-two thousand eight hundred fifty-one (2,432,851).

(G) The following shall be deemed added to the Lease as a new Section 3.8 thereto:

"3.8 Risers.

Subject to the terms of this Section 3.8. Landlord hereby consents to Tenant's installing and maintaining electrical lines, telecommunications lines, or other similar lines, and conduits (collectively, the "Risers") in the shaft locations shown on Exhibit "C" attached to that certain Amendment of Lease, dated as of August 30, 2013 (the "Amendment"), between Landlord and Tenant and made a part thereof (the "Designated Shaftway"). Landlord shall provide Tenant with reasonably necessary access in accordance with good construction practice for the installation, operation and maintenance of the Risers, provided that such access shall (i) not unreasonably interfere with or interrupt the operation and maintenance of the Building, and (ii) be upon such other terms reasonably designated by Landlord. Tenant shall install the Risers at Tenant's expense. Tenant shall perform such installation in accordance with the provisions of this Lease, including, without limitation, the provisions pertaining to the performance of Alterations. If Tenant exercises Tenant's right to install the Risers as contemplated by this Section 3.8, then Tenant, at Tenant's expense, shall maintain the Risers in good condition during the Term. Landlord, at Landlord's cost and expense and at no cost to Tenant, and upon reasonable prior notice to Tenant of not less than ninety (90) days, may, at any time and from time to time during the Term, relocate any of the Risers; provided, however, that (i) Landlord shall perform such relocation in a manner that does not interfere with the operation of Tenant's business in any material respect during ordinary business hours or Business Days, and (ii) if Landlord's aforesaid relocation of any Risers would interfere in any respect with a system that Tenant uses on a continuous basis for the conduct of Tenant's business, then Landlord, prior to removing such Risers, shall install and make operative new Risers and cooperate with Tenant to enable Tenant to maintain the continuous operation of such systems. Tenant, upon the Expiration Date, shall not be required to remove the Risers."

(H) Section 5.1 of the Lease is hereby deleted in its entirety and the following shall be inserted in lieu thereof:

"5.1 Capacity.

Landlord shall provide to the electrical closet on the nineteenth (19^{th}) floor of the Building for Tenant's use in the Premises, six (6) watts of electrical capacity (demand load) per square foot of Usable Area (exclusive of the electrical capacity

that is required to operate the Building Systems) (such electrical capacity being referred to herein as the "Base Electrical Capacity"). Tenant, during the Term, shall use electricity in the Premises only in such manner that complies with the requirements of the Utility Company. Tenant shall not permit the demand for electricity in the Premises to exceed the Base Electrical Capacity. The term "Usable Area" shall mean, with respect to a particular floor area, the usable area thereof (expressed as a particular number of square feet), as determined in accordance with The Recommended Method of Floor Measurement of Office Buildings, Effective January 1, 1987, as published by The Real Estate Board of New York, Inc."

(I) Pursuant to terms of Section 5.3(J) of the Lease, Landlord hereby exercises the Submeter Conversion Right with respect to the New Premises and the provisions of Section 5.4 of the Lease, as amended hereby, shall be deemed applicable with respect to the New Premises from and after the New Premises Effective Date. For the avoidance of doubt, the provisions of Sections 5.3(A)-(I) shall not be applicable to the New Premises from and after the New Premises Effective Date. Landlord shall use commercially reasonable efforts to coordinate the installation of the submeter or submeters in the New Premises simultaneously with the performance of Landlord's New Work (as hereinafter defined); it being understood that in the event that it is not reasonably practicable for Landlord to install the submeter or submeters in the New Premises simultaneously with the performance of Landlord's New Work, Landlord and Tenant shall cooperate with each other in good faith to coordinate the installation of such submeter or such submeters with Tenant's performance of the Initial Alterations in the New Premises.

(J) Section 5.4 of the Lease is hereby amended and modified to:

(i) delete from Section 5.4(B) thereof, the percentage "one hundred four percent (104%)" and to insert the percentage "one hundred seven percent (107%)" in lieu thereof;

(ii) insert in clause (ii) of Section 5.4(G) thereof, immediately after the words “installing a submeter or submeters in the Premises”, the words “or prior to the date on which such submeter or submeters become operational”;

(iii) delete from Section 5.4(G) thereof, the amount of “$.0045” therefrom and insert the amount of “$.0041” in lieu thereof;

(iv) insert in clause (ii) of Section 5.4(H) thereof, immediately after the words “installing a submeter or submeters in the Premises”, the words “or prior to the date on which such submeter or submeters become operational”; and

(v) delete from Section 5.4(H) thereof, the amount of “$.0089” and insert the amount of “$.0041” in lieu thereof.

(K) Sections 13.4, 14.1(A), 15.3(A), 15.3(B), 17.3(E)(2)(c)(ii) and 17.3(F)(3)(a) of the Lease shall be deemed amended and modified to insert after the words “the Tax Payment” in each section thereof, the words “and the Operating Expense Payment (as such term is defined in Section 2.5 hereof, as set forth in Exhibit “B” attached to the Amendment and made a part thereof), between Landlord and Tenant)” except that the language in the parenthetical shall only be added the first time such language is inserted into the Lease.

(L) Section 21.3(A)(2) of the Lease shall be deemed amended and modified to insert after the words “or Tax Payment” in the twelfth (12th) line thereof, the words “or Operating Expense Payment” in lieu thereof.

(M) The provisions set forth on Exhibit “B” attached hereto and made a part hereof are hereby added to the Lease as new Sections 2.5, 2.6, 2.7, 2.8 and 2.9 thereof.

6. Modification of Lease from and after the date hereof. From and after the date hereof, the Lease is hereby amended and modified as follows:

(A) The definition of the term “Taxes”, as such term is defined in Section 2.1(E) of the Lease, is hereby amended and modified to:

(i) delete the word “and” at the end of clause (i) in the first (1st) sentence thereof;

(ii) insert the word “, fees” after the words “any taxes” at the beginning of clause (ii) in the first (1st) sentence thereof; and

(iii) insert the following words at the end of the first (1st) sentence thereof:”, and (iii) any taxes, fees and assessments that are levied based on the extent of Landlord’s or the Building’s use of water or energy.”

(B) Section 3.2 of the Lease is hereby amended and modified to:

(i) delete the word “or” at the end of subsection (4) thereof;

(ii) delete the period from the last line of subsection (5) thereof and insert a semi colon followed by the word “; or” in lieu thereof; and

(iii) insert the following as a new subsection (6) thereof:

“(6) for any pornographic or obscene purpose, any commercial sex establishment, any pornographic, obscene, nude or semi-nude performances, modeling or sexual conduct of any kind.”

(C) Section 7.4(B) is hereby deleted in its entirety and the following is deemed inserted in lieu thereof:

“Prior to performing any Alteration, Tenant shall maintain on behalf of its contractors (of any tier) and vendors or cause its contractors (of any tier) and vendors to maintain (1) worker’s compensation and disability insurance in amounts not less than the statutory limits required by Requirements (covering all persons to be employed by Tenant, and Tenant’s contractors, subcontractors, and vendors in connection with such Alteration); (2) commercial general liability insurance (covering bodily injury including death, personal injury and property damage), in each case in customary form, and in amounts that are not less than Five Million Dollars ($5,000,000) per occurrence and in the annual policy aggregate with respect to general contractors and Three Million Dollars ($3,000,000) per occurrence and in the annual policy aggregate with respect to

subcontractors, such policies shall be endorsed to name the Landlord Indemnitees as additional insureds; it being understood that the foregoing insurance shall be required in addition to Tenant’s Liability Policy; and (3) commercial auto liability insurance, if the contractor or vendor uses a vehicle at the Real Property, covering all vehicles with a minimum combined single limit of One Million Dollars ($1,000,000). A contractor’s or vendor’s liability shall in no way be limited by the amount of insurance recovery or the amount of insurance in force, or available, or required by any provisions of this Lease. The limits listed above are minimum requirements only. Tenant shall include in any agreement that Tenant consummates with a contractor or vendor in either case for a particular Alteration, and Tenant shall cause any contractor to include in any agreement that such contractor consummates with a subcontractor regarding the applicable Alteration, a provision pursuant to which the contractor, subcontractor or vendor agrees to indemnify the Landlord Indemnitees, and hold the Landlord Indemnitees harmless, from and against, any Claim Against Landlord that arises from any wrongful act or wrongful omission of such contractor, such subcontractor or such vendor, and such provision shall state expressly that the Landlord Indemnitees constitute third-party beneficiaries thereof. Prior to the start of any

such Alterations and prior to the expiration of any policy, Tenant shall deliver to Landlord certificates of insurance (on a form reasonably acceptable to Landlord) along with copies of endorsements naming Landlord Indemnitees as additional insureds. The liabilities of any contractor or vendor shall survive and not be terminated, reduced or otherwise limited by any expiration or termination of such insurance coverage. Neither approval nor failure to disapprove insurance furnished by the contractor or vendor shall relieve the contractor, its subcontractors or vendors from responsibility to provide insurance as required herein."

(D) Section 7.10 of the Lease is hereby amended and modified to insert the following at the end thereof:

"If Tenant requests during the Term that Landlord coordinate and supervise any Alterations then Landlord shall do so for an arm's length fee agreed to by Landlord and Tenant."

(E) Section 11.1(A) of the Lease is hereby amended and modified to (i) delete the word "and" from the fourth (4th) line thereof and (ii) insert after the word "Premises" and before the period on the sixth (6th) line thereof, the words "and (iv) Local Law No. 88 of the City of New York".

(F) Sections 17.4(J) and (K) of the Lease are hereby amended and modified to insert after the word "Building" and before the semicolon on the last line thereof, the words "or in any of the buildings owned by Landlord's Affiliates and known as Two Penn Plaza and/or Eleven Penn Plaza".

(G) Section 19.1 of the Lease is hereby amended and modified to:

(i) delete the word "or" at the end of subsection (H) thereof;

(ii) delete the period from the last line of subsection (I) thereof and insert a semicolon followed by the word "; or" in lieu thereof; and

(iii) insert the following as a new subsection (J) thereto:

"(J) an Insolvency Event occurs."

(H) Section 19.2 of the Lease is hereby amended and modified to insert the following at the end thereof:

"provided, however, that if the Event of Default derives from an Insolvency Event, then the provisions of Article 20 hereof shall apply. Notwithstanding anything to the contrary contained in this Article 19, in the event of a monetary default by Tenant under this Lease, Landlord retains its right to avail itself of any and all remedies provided for in Section 711(2) of the New York Real Property Actions and Proceedings Law (the "RPAPL") and, in the event that Landlord elects to avail itself of its rights thereunder, no Event of Default need be declared by Landlord and no notices need be served by Landlord under this Article 19 or this Lease; instead, in such instances, Landlord shall be required to serve upon Tenant only such notice(s) as may be required by said Section 711(2) of the RPAPL including, without limitation, a statutory demand for rent."

(I) Section 27.1 of the Lease is hereby amended and modified to delete the names "Daniel E. North" and "Joseph Macnow" therefrom and insert the titles "President - New York Division" and "Executive Vice President - Finance and Administration and Chief Financial Officer", respectively, in lieu thereof.

(J) As of the date hereof, subject to and in accordance with the provisions of Article 23 of the Lease, as amended hereby, Tenant has deposited the Letter of Credit with Landlord to be held as security for the performance of Tenant's obligations under the Lease, as amended hereby. Notwithstanding anything to the contrary contained in the Lease, including,

without limitation, Article 23 thereof, all references in the Lease to the "Cash Security Deposit" are hereby deleted; it being the intent and purpose hereof that Tenant shall not have the right to maintain the security deposit in the form of cash.

(K) The Lease shall be deemed modified to insert after the words "generally accepted accounting principles" each time such words shall appear, the words "or, international financial reporting standards, if and when the same may be adopted, as the case may be".

7. Condition of Premises. (A) Tenant acknowledges that Landlord has made no representations to Tenant with respect to the condition of the Original Premises. Tenant acknowledges that it is currently occupying the Original Premises and agrees to take the same "as is" in the condition existing on the date hereof and that, notwithstanding anything to the contrary contained in the Lease, as amended by this Amendment, Landlord shall have no obligation to perform any work, provide any work allowance or rent credit, alter, improve, decorate, or otherwise prepare the Original Premises for Tenant's continued occupancy.

(B) Tenant represents that it has made a thorough inspection of the New Premises and, subject to the provisions of Paragraph 8 hereof, agrees to take the New Premises in its "as-is" condition existing on the New Premises Commencement Date. Tenant further acknowledges and agrees that notwithstanding anything to the contrary contained in the Lease, as amended hereby, Landlord has made no representations with respect to the New Premises and Landlord shall have no obligation to perform any work (other than Landlord's New Work) provide any work allowance or rent credit (other than as expressly set forth in Paragraph 5(A)(i) hereof), alter, improve, decorate, or otherwise prepare the New Premises for Tenant's occupancy prior to the New Premises Commencement Date. On the New Premises Commencement Date, the New Premises shall be in broom clean condition. Promptly following the New Premises Commencement Date, Landlord shall deliver to Tenant a form ACP-5 (or the then current equivalent thereof) covering the New Premises.

8. Landlord's New Work. (A) Landlord shall, at Landlord's expense, perform the work necessary to modify the Premises in accordance with the New Work Final Plans (as hereinafter defined) to be prepared by Spin Design, Inc. ("Architect"), at Landlord's own cost and expense, which New Work Final Plans shall be based upon that certain drawing identified as SP-1, prepared by Architect and dated May 10, 2013 (the "New Work Final Space Plan"), a copy of which is attached hereto as Exhibit "D" and made a part hereof (such work, "Landlord's New Work"). Landlord shall perform Landlord's New Work using materials and finishes which are reasonably comparable to the materials and finishes installed in the Original Premises (such materials and finishes, "Building Standard Installations"). Notwithstanding the foregoing to the contrary, Landlord shall not be obligated to install any supplemental air-conditioning system furniture or built-ins or telecommunication wiring or equipment even if same are shown on the Tenant's New Work Initial Plans (as hereinafter defined), the New Work Final Space Plan or the New Work Final Plans.

(B) Tenant shall cause Architect to deliver to Landlord on or prior to September 1, 2013 (the "Plan Deadline") in the manner set forth in Paragraph 8(D) hereof, six (6) copies of the plans ("Tenant's New Work Initial Plans") for Landlord's New Work, which shall be (x) one hundred percent (100%) complete and ready to bid and build (including, without limitation, layout, architectural, mechanical, structural, engineering and plumbing drawings, to the extent applicable), (y) stamped and approved by Architect, and (z) in format containing sufficient detail (i) for Landlord and Landlord's consultants to reasonably assess the proposed work to prepare the New Premises for Tenant's initial occupancy, and (ii) to permit Landlord to

make all necessary filings with Governmental Authorities to obtain the required permits, approvals and certificates to allow Landlord to commence Landlord's New Work (the requirements set forth in clauses (x)-(z) hereof, the "Plan Requirements").

(C) Tenant shall cause Architect to revise Tenant's New Work Initial Plans if and to the extent that Landlord objects or comments thereto and deliver to Landlord in the manner set forth in Paragraph 8(D) hereof, six (6) copies of Tenant's New Work Initial Plans, as so revised, which revised plans shall (i) address all of Landlord's objections and comments to Landlord's reasonable satisfaction and (ii) satisfy all of the Plan Requirements (the Tenant's New Work Initial Plans either (x) revised as aforesaid, or (y) if Landlord shall not object or comment thereto, as applicable, shall constitute the "New Work Final Plans"). Tenant shall deliver or cause Architect to deliver the New Work Final Plans to Landlord on or prior to the earlier to occur of (x) the date which is five (5) days following the date that Landlord gives Tenant Landlord's objections and/or comments, if any, to Tenant's New Work Initial Plans and (y) October 1,2013 (such earlier date, the "Revision Deadline").

(D) Notwithstanding anything to the contrary set forth in this Lease, Tenant shall (I) deliver or cause Architect to deliver (x) five (5) copies of Tenant's New Work Initial Plans and the New Work Final Plans to Landlord at the Building, Attention: Property Manager and (y) one (1) copy of Tenant's New Work Initial Plans and the New Work Final Plans to Landlord, c/o Vornado Office Management LLC, 888 Seventh Avenue, 44th Floor, New York, New York 10019, Attention: Steve Sonitis and (II) cause Tenant's New Work Initial Plans and the New Work Final Plans to be clearly labeled in large, bold, capitalized font on the exterior thereof **"TENANT'S PLANS ENCLOSED- TIME SENSITIVE".**

(E) Landlord shall perform Landlord's New Work in a good and workmanlike manner. Landlord shall perform Landlord's New Work in accordance with all applicable Requirements.

(F) On or prior to five (5) Business Days after Landlord's rendition of a statement therefor, Tenant shall pay Landlord for Landlord's actual, out-of-pocket costs to perform any Tenant New Extra Work, which statement shall have annexed thereto documentation that reasonably substantiates the charges set forth thereon. For purposes hereof, the term "Tenant New Extra Work" shall mean collectively, (i) any above Building Standard Installations (to the extent the hard and soft costs incurred in connection with performing the applicable portion of Landlord's New Work in connection therewith exceed the hard and soft costs which Landlord would have incurred in performing such portion of Landlord's New Work using Building Standard Installations), and/or (ii) any portion of Landlord's New Work that is denoted on the New Work Final Plans (including, without limitation, the "Note" and "Legends" sections of the New Work Final Plans) as "Alternate Pricing", "Alt. Pricing" or similar language denoting any alternatives from the New Work Final Space Plan. The cost for performing any Tenant New Extra Work shall be determined in accordance with Landlord's standard bidding procedure. Notwithstanding the foregoing to the contrary, Landlord shall have the right to let the construction contract to the lowest responsible bidder without taking into account the cost of any items of Tenant New Extra Work (with the understanding that Landlord shall have the right to exercise Landlord's reasonable business judgment in selecting the form of contractual arrangement for the construction contract). Landlord shall notify Tenant pursuant to Paragraph 8(K) hereof as promptly as reasonably practicable after Landlord's bidding procedure is completed of the estimated price for each item of Tenant New Extra Work. On or prior to five

(5) Business Days after Landlord gives Tenant notice of such estimated price, Tenant shall notify Landlord if Tenant (w) elects for Landlord to perform such items of Tenant New Extra Work, (x) elects for Landlord not to perform a particular item of Tenant New Extra Work and instead elects to have Landlord perform the particular item of work at Landlord's cost using a Building Standard Installation (if such item is capable of being replaced with a Building Standard Installation), (y) elects to choose a finish or specification that costs less than the original estimated price given by Landlord to Tenant but for which Tenant would pay Landlord pursuant to the terms of this Paragraph 8(F), or (z) elects, at Tenant's cost and expense, to perform such item of Tenant New Extra Work itself, in which event Tenant shall perform such item as an Alteration; provided, however, Landlord shall be permitted to install a Building Standard Installation or otherwise in lieu of any such item if Tenant's delay in performing such item would delay Landlord's New Work. If Tenant elects the immediately preceding clause (z), then such item of work shall be performed by Tenant as an Alteration, in accordance with the applicable terms and provisions of the Lease, as amended hereby, governing Alterations except that such item of work shall be deemed to be approved by Landlord to the extent Tenant performs such item or work in accordance with the New Work Final Plans; it being understood, however, that Landlord shall be deemed to have Substantially Completed Landlord's New Work even if certain items are incomplete as a result of Tenant's failure to complete any portion of Tenant New Extra Work. In the event that any item of Tenant New Extra Work creates a field condition that requires a change to Landlord's New Work resulting in an increase of the cost of Landlord's New Work Landlord shall have the right before proceeding with such change to require Tenant (x) to agree in writing to such increase in cost within two (2) Business Days from the date of Landlord's request (which request may be verbal) for Tenant's agreement and (y) to

pay such increase within five (5) Business Days of Landlord's invoice therefor; it being understood, however, that Landlord shall not have the aforesaid right unless such field condition arises as a result of any item of Tenant New Extra Work. If Tenant shall fail or refuse to so agree to and/or pay for such increase then Landlord shall have the right (but not the obligation) to either refuse to perform such Tenant New Extra Work, and continue the performance of Landlord's New Work without making the changes thereto contemplated by such Tenant New Extra Work or to revise the scope of Landlord's New Work so as not to require a change resulting from a field condition.

(G) Landlord shall have the right to delegate Landlord's obligations to perform all or any portion of Landlord's New Work to an affiliate of Landlord (it being understood, however, that Landlord's delegating such obligations to an affiliate of Landlord shall not diminish Landlord's liability for the performance of Landlord's New Work in accordance with the terms of this Paragraph 8). Landlord shall also have the right to assign to such affiliate of Landlord the rights of Landlord hereunder to receive from Tenant the payments for the performance of the portions of Landlord's New Work pursuant to Paragraph 8(F) hereof (it being understood that if (i) Landlord so assigns such rights to such affiliate of Landlord, and (ii) Landlord gives Tenant notice thereof, then Tenant shall pay directly to such affiliate any such amounts otherwise due and payable to Landlord hereunder). Landlord shall not be required to maintain or repair during the Term any items of Landlord's New Work except as otherwise expressly provided in the Lease, as amended hereby, it being agreed that Landlord shall make available to Tenant all guaranties or warranties received by Landlord in connection with Landlord's New Work to the extent such guaranties and warranties shall not be rendered invalid thereby.

(H) The following terms shall have the following meanings:

(i) The term "Long Lead Work" shall mean any item which is not a stock item and must be specially manufactured, fabricated or installed or is of such an unusual, delicate or fragile nature that there is a substantial risk that (i) there will be a delay in its manufacture, fabrication, delivery or installation, or (ii) after delivery of such item will need to be reshipped or redelivered or repaired so that, in Landlord's reasonable judgment, the item in question cannot be completed when the standard items are completed even though the items of Long Lead Work in question are (1) ordered together with the other items required and (2) installed or performed (after the manufacture or fabrication thereof) in order and sequence that such Long Lead Work and other items are normally installed or performed in accordance with good construction practice. In addition, Long Lead Work shall include any standard item, which in accordance with good construction practice should be completed after the completion of any item of work in the nature of the items described in the immediately preceding sentence. Landlord shall notify Tenant in accordance with Paragraph 8(K) hereof, if any items on the New Work Final Plans constitute items of Long Lead Work and advise Tenant of the reasonably anticipated time period for the delivery of such items, and subject to the terms hereof, Tenant shall have two (2) Business Days from receipt of such notice to revise such plans to change or remove such items; provided, however, in such event, to the extent Tenant revises the New Work Final Plans, any period beyond such two (2) Business Day period shall constitute a Tenant Work Delay, subject to the terms of Paragraph 8(H)(ii) hereof.

(ii) The term "Tenant New Work Delays" shall mean Tenant's acts or omissions (including, without limitation, (w) changes or change orders to plans or finishes, (x) the failure to deliver or cause Architect to deliver Tenant's New Work Initial Plans to Landlord on or prior to the Plan Deadline, and/or the failure to deliver or cause Architect to deliver the New Work Final Plans to Landlord on or prior to the Revision Deadline, in either case in compliance with the Plan Requirements and in accordance with the provisions of Paragraph 8(D) hereof, (y) delays or failures to notify or respond to requests of Landlord and/or (z) the failure to make any of the payments required by Paragraph 8(F) hereof within the time periods specified therein) that delay Landlord in the performance of Landlord's New Work.

(I) Notwithstanding the provisions of Paragraph 5(A) hereof to the contrary, in the event that Substantial Completion of Landlord's New Work shall be delayed by reason of any Tenant New Work Delays and/or items of Long Lead Work, then only for purposes of determining the date on which the New Premises Rent Commencement Date shall occur, the New Premises Commencement Date and the Substantial Completion of Landlord's New Work shall each be deemed to have occurred on the date the same would have otherwise occurred but for such Tenant New Work Delays and/or such items of Long Lead Work, notwithstanding that Landlord has not yet delivered possession of the New Premises to Tenant.

(J) Tenant during the Term, shall not remove Landlord's New Work or any portion thereof (or Alterations that replace Landlord's New Work (or such portion thereof) unless Tenant replaces Landlord's New Work (or such portion thereof), or such Alterations, as the case may be, with Alterations that have a fair value that is equal to or greater than such portion of Landlord's New Work (it being understood that such Alterations that Tenant performs to replace Landlord's New Work (or such portion thereof), or such other Alterations, as the case may be, shall constitute the property of Landlord as contemplated by this Paragraph 8(J).

(K) Notwithstanding the provisions of Article 27 of the Lease, as amended hereby to the contrary, any notices required to be given pursuant to this Paragraph 8 shall be deemed given if sent to Tenant via electronic mail to the attention of Tom Biancardi at tom.biancardi@ophthotech.com.

9. Tenant's Early Termination Right. (A) Subject to the terms of this Paragraph 9, Tenant shall have the one-time only right to terminate the Lease, as amended hereby ("Tenant's Termination Right"), effective as of the last day of the month in which the day immediately preceding the date that is four (4) years after the New Premises Rent Commencement Date occurs (such last day of the month in which the day immediately preceding the date that is four (4) years after the New Premises Rent Commencement Date occurs being referred to herein as the "Tenant's Termination Date") provided that (i) no Event of

Default has occurred and is then continuing on the date that Tenant gives Landlord the Tenant's Termination Notice and (ii) Ophthotech Corporation is the Tenant hereunder on the date that Tenant gives Landlord the Tenant's Termination Notice (as hereinafter defined). Tenant shall have the right to exercise Tenant's Termination Right effective as of Tenant's Termination Date only by giving notice thereof (a "Tenant's Termination Notice") to Landlord not later than the date which is three hundred sixty-five (365) days prior to the Tenant's Termination Date (as to which date time shall be of the essence). Tenant's exercise of Tenant's right to terminate the Lease, as amended hereby, as provided in this Paragraph 9 shall be ineffective unless Tenant pays to Landlord, on the date that Tenant gives the Termination Notice to Landlord, an amount equal to the Termination Payment (as hereinafter defined), as additional rent. If Tenant effectively exercises

Tenant's right to terminate the Lease, as amended hereby, as of Tenant's Termination Date as provided in this Paragraph 9, then Tenant, on Tenant's Termination Date, shall vacate the Premises and surrender the Premises to Landlord in accordance with the terms of this Lease, as amended hereby, that govern Tenant's obligations upon the expiration or earlier termination of the Term.

(B) The term "Termination Payment" shall mean an amount equal to Two Hundred Fifty-Four Thousand Eight Hundred Twenty-Seven and 24/100 Dollars ($254,827.24) which amount represents the sum of (I) the cost of Landlord's New Work, the free rent to which Tenant is entitled pursuant to this Amendment, and the brokerage commission that Landlord pays in connection with this Amendment, to the extent that such amount remains unamortized as of the Tenant's Termination Date (assuming that such amount is amortized, in equal monthly installments, over the period from the date that Landlord incurs the applicable cost to the New Expiration Date, with an interest factor equal to eight percent (8%)) plus (II) an amount equal to the product obtained by multiplying (x) the Fixed Rent due hereunder for the calendar month immediately preceding the calendar month during which Tenant's Termination Date occurs (without taking into account any abatement or credit to which Tenant may be entitled during such month hereunder), by (y) three (3).

10. Use of Freight Elevator During Overtime Periods. Notwithstanding the provisions of Section 4.2(B) of the Lease to the contrary, Tenant shall not be required to pay for the first ten (10) hours of Tenant's overtime use of the freight elevator only for Tenant's initial move from the Original Premises into the New Premises (but not for purposes associated with the ordinary conduct of Tenant's business).

11. Liability of Landlord. The obligations of Landlord under the Lease, as amended by this Amendment, shall not be binding upon the Person that constitutes Landlord initially after the sale, conveyance, assignment or transfer by such Person of its interest in the Building or the Real Property, as the case may be (or upon any other Person that constitutes Landlord after the sale, conveyance, assignment or transfer by such Person of its interest in the Building or the Real Property, as the case may be), to the extent such obligations accrue from and after the date of such sale, conveyance, assignment or transfer. The members, managers, partners, shareholders, directors, officers and principals, direct and indirect, comprising Landlord (collectively, the "Parties") shall not be liable for the performance of Landlord's obligations under the Lease, as amended by this Amendment. Tenant shall look solely to Landlord to enforce Landlord's obligations under the Lease, as amended by this Amendment and shall not seek any damages against any of the Parties. The liability of Landlord for Landlord's obligations under the Lease, as amended by this Amendment, shall be limited to Landlord's interest in the Real Property and the proceeds thereof. Tenant shall not look to any property or assets of Landlord (other than Landlord's interest in the Real Property and the proceeds thereof) in seeking either to enforce Landlord's obligations under the Lease, as amended hereby, or to satisfy a judgment for Landlord's failure to perform such obligations.

12. Brokerage.

(A) Tenant represents and warrants to Landlord that it has not dealt with any broker, finder or like agent in connection with this Amendment other than CBRE Inc. ("Broker"). Tenant does hereby indemnify and hold Landlord harmless of and from any and all loss, costs, damage or expense (including, without limitation, attorneys' fees and disbursements) incurred by Landlord by reason of any claim of or liability to any broker, finder or like agent other than Broker who shall claim to have dealt with Tenant in connection herewith.

(B) Landlord represents and warrants to Tenant that it has not dealt with any broker, finder or like agent in connection with this Amendment other than Broker. Landlord does hereby indemnify and hold Tenant harmless of and from any and all loss, costs, damage or expense (including, without limitation, attorneys' fees and disbursements) incurred by Tenant by reason of any claim of or liability to any broker, finder or like agent, including Broker, who shall claim to have dealt with Landlord in connection herewith. Landlord shall pay a commission to Broker in connection with this amendment pursuant to a separate agreement between Broker and Landlord.

(C) The provisions of this Paragraph 12 shall survive the expiration or termination of the Lease, as amended by this Amendment.

12. Authorization. Tenant represents and warrants to Landlord that its execution and delivery of this Amendment has been duly authorized and that the person executing this Amendment on behalf of Tenant has been duly authorized to do so, and that no other action or approval is required with respect to this transaction. Landlord represents and warrants to Tenant that its execution and delivery of this Amendment has been duly authorized and that the person executing this Amendment on behalf of Landlord has been duly authorized to do so, and that no other action or approval is required with respect to this transaction.

13. Full Force and Effect of Lease. Except as modified by this Amendment, the Lease and all covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified and confirmed.

14. Entire Agreement. The Lease, as amended by this Amendment, constitutes the entire understanding between the parties hereto with respect to the Premises thereunder and may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

15. Enforceability. This Amendment shall not be binding upon or enforceable against either Landlord or Tenant unless, and until, Landlord and Tenant, each in its sole discretion, shall have executed and unconditionally delivered to the other an executed counterpart of this Amendment.

16. Counterparts. This Amendment may be executed in one or more counterparts each of which when taken together shall constitute but one original.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ONE PENN PLAZA LLC, Landlord

By: Vornado Realty L.P., sole member

By: Vornado Realty Trust, general partner

By: /s/ David R. Greenbaum

David R. Greenbaum

President - New York Division

OPHTHOTECH CORPORATION. Tenant

By:

Name:

Title:

TENANT'S EIN#:

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ONE PENN PLAZA LLC, Landlord

By: Vornado Realty L.P., sole member

By: Vornado Realty Trust, general partner

By:

David R. Greenbaum

President - New York Division

OPHTHOTECH CORPORATION. Tenant

By: /s/ Thomas Biancardi

Name: Thomas Biancardi

Title:VP Finance

TENANT'S EIN#: 20 818 5347

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Within New York State)

STATE OF)

: ss.:

COUNTY OF)

On the day of , in the year 2013, before me, the undersigned personally appeared , 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.

Notary Public

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Outside of New York State)

STATE OF NJ)

: ss.:

COUNTY OF Mercer)

On the 27 day of August, in the year 2013, before me, the undersigned, personally appeared Tom Biancardi, 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), 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, and that such individual made such appearance before the undersigned in the Princeton, NJ (Insert the city or other political subdivision and the state or country or other place the acknowledgement was taken.)

/s/ Melanie Rice

Melanie J. Rice
A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 12, 2017

/s/ Tom Biancardi

(Signature and office of individual taking acknowledgement)

Exhibit “A”

New Premises

One Penn Plaza (N001)
Floor 19

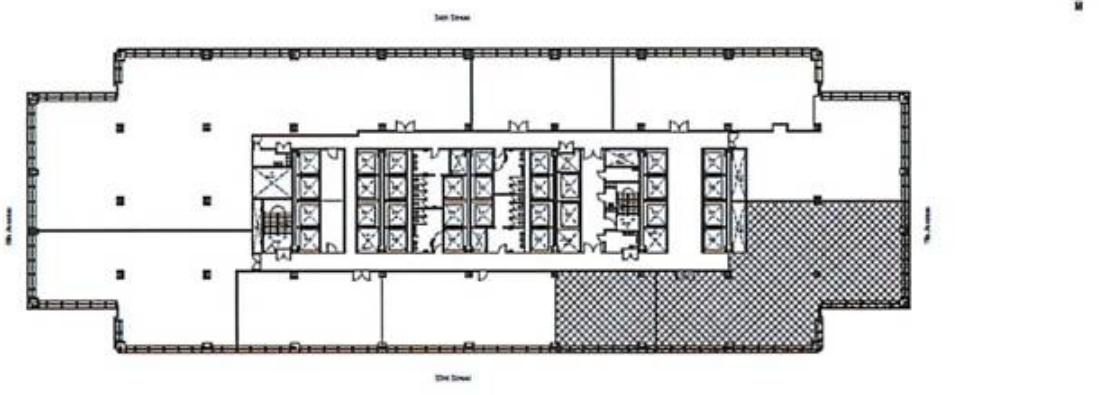

Exhibit "B

New Lease Sections 2.5, 2.6, 2.7, 2.8 and 2.9

2.5. Operating Expense Definitions.

(A) The term "Base Operating Expenses" shall mean the Operating Expenses for the Base Operating Expense Year.

(B) The term "Base Operating Expense Year" shall mean the 2014 calendar year.

(C) The term "GAAP" shall mean generally accepted accounting principles, consistently applied, except that if, at any time from and after the date hereof, the American Institute of Certified Public Accountants adopts international financial reporting standards as the basis for financial reporting in the United States, then references in this Lease to GAAP shall be deemed to be references to such international financial reporting standards, consistently applied.

(D) The term "Operating Expenses" shall mean, subject to the terms of this Section 2.5 and to Section 2.6(C) hereof, the expenses paid or incurred by or on behalf of Landlord in insuring, maintaining, repairing, managing and operating the Real Property (and employing personnel therefor) as reflected on Landlord's books (which Landlord shall keep in accordance with GAAP). Landlord shall have the right to include in Operating Expenses for a particular Operating Expense Year a property management charge in an amount equal to the product obtained by multiplying (i) three percent (3%), by (ii) the gross rents that Landlord collects from Tenant and the other tenants in the Building during such Operating Expense Year (such amount being referred to herein as the "Property Management Charge"). Operating Expenses shall exclude:

(1) Taxes,

(2) Excluded Amounts,

(3) subject to Section 2.6(C) hereof, payments of interest or principal in respect of Landlord's debt (including, without limitation, any debt that is secured by Mortgages),

(4) expenses that relate to leasing space in the Building (including, without limitation, the cost of tenant improvements (or allowances that Landlord provides to a tenant therefor), the cost of performing improvements to prepare a particular portion of the Building for occupancy by a tenant, the cost of rent concessions, advertising expenses, leasing commissions and the cost of lease buy-outs),

(5) expenses that Landlord incurs in selling, purchasing, financing or refinancing the Real Property,

(6) the cost of any repairs, replacements or improvements to the Building that are required to be capitalized by GAAP (including, without limitation, lease obligations that are required to be capitalized under GAAP) (except in each case as otherwise provided in Section 2.6(C) hereof),

(7) depreciation or amortization expense (subject, however, to Section 2.6(C) hereof),

(8) the cost of electricity that is furnished to the portions of the Building that Landlord has leased, that Landlord is offering for lease, or that otherwise constitutes leasable space that is not used for the general benefit of the occupants the Building (it being understood that Operating Expenses shall include the cost of electricity that is required to operate the Building Systems as provided in Section 2.6(B) hereof),

(9) salaries and the cost of benefits in either case for personnel above the grade of building manager,

(10) charges for the general overhead costs that Landlord incurs in managing, operating, maintaining, or staffing its offices that are not located at the Building,

(11) rent paid or payable under Superior Leases (except to the extent that (I) such rent that is paid or payable under Superior Lease is for Taxes or Operating Expenses, and (II) Landlord has not otherwise included such Taxes or Operating Expenses in the calculation of the Tax Payment or the Operating Expense Payment, as the case may be, under this Article 2),

(12) subject to Section 2.6 hereof, any expense for which Landlord is otherwise compensated, whether by virtue of insurance proceeds, condemnation proceeds, claims under warranties, Tenant or other tenants in the Building making payment directly to Landlord for Landlord's services in the Building or otherwise (other than by virtue of other tenants in the Building making payments to Landlord for Operating Expenses as escalation rental),

(13) the cost of providing any level of service that exceeds the level of service that Landlord furnishes to Tenant hereunder,

(14) legal or arbitration fees and disbursements that are paid or incurred in connection with the negotiation of, or disputes arising out of, any lease for space in the Real Property,

(15) costs that Landlord incurs in restoring the Building after the occurrence of a fire or other casualty or after a partial condemnation

thereof,

(16) advertising, entertainment and promotional costs that are paid or incurred for the Building,

(17) management fees that Landlord pays to a property manager (it being understood, however, that nothing in this clause (17) limits Landlord's right to include in Operating Expenses the Property Management Charge),

(18) the expenses paid or incurred by or on behalf of Landlord in owning, maintaining, repairing, managing and operating the portion of the Real Property that is used for retail purposes,

(19) any fee or expenditure that is paid or payable to any Affiliate of Landlord to the extent that such fee or expenditure exceeds the amount that would be reasonably expected to be paid in the absence of such relationship,

(20) interest, penalties and late charges that in either case are paid or incurred as a result of late payments made by Landlord or by reason of Landlord's failure to comply with Requirements (to the extent that Landlord is required to comply with such Requirements pursuant to the terms hereof),

(21) costs incurred in operating any sign or other similar device designed principally for advertising or promotion to the extent that Landlord leases or licenses to a third party such sign or device, or the portion of the Building where such sign or device is installed,

(22) the cost of any judgment, settlement, or arbitration award resulting from any liability of Landlord (other than liability for amounts otherwise includible in Operating Expenses hereunder) and all expenses incurred in connection therewith,

(23) amounts payable by Landlord for withdrawal liability or unfunded pension liability to a multi-employer pension plan (under Title IV of the Employee Retirement Income Security Act of 1974, as amended),

(24) costs incurred by Landlord which result from Landlord's breach of this Lease or Landlord's negligence or willful misconduct,

(25) costs that Landlord incurs to correct a representation made by Landlord in this Lease,

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(26) fines or penalties that are assessed against Landlord by a Governmental Authority by virtue of violations at the Building of applicable Requirements,

(27) fees, dues or contributions that Landlord pays voluntarily to civic organizations, charities, political parties or political action committees,

(28) the cost of providing HVAC during Overtime Periods to portions of the Building that Landlord has leased, that Landlord is offering for lease, or that otherwise constitutes leasable space that is not used for the general benefit of the occupants the Building (except that Landlord shall have the right to include in Operating Expenses the cost of providing HVAC during Overtime Periods that Landlord ordinarily supplies to the Building generally in accordance with good management practices),

(29) the cost of providing freight elevator or loading dock service during Overtime Periods (except that Landlord shall have the right to include in Operating Expenses the cost of providing freight elevator or loading dock service during Overtime Periods that Landlord ordinarily supplies to the Building generally in accordance with good management practices),

(30) the cost of objects of fine art that Landlord installs in the Building (with the understanding, however, that (x) Landlord shall have the right to include in Operating Expenses the cost of fine art that Landlord installs in the Building to the extent that such installation is required by applicable Requirements (subject, however, to Section 2.6(C) hereof), and (y) nothing contained in this clause (30) precludes Landlord from including in Operating Expenses the cost of maintaining and repairing objects of fine art that Landlord installs in the common areas of the Building),

(31) costs associated with the construction, installation, repair or operation of any broadcasting facility, conference center, luncheon club, athletic facility, child care facility, auditorium, cafeteria, or any other similar specialty facility, except to the extent that any such facility exists in the Building as of the date hereof for the general benefit of tenants in the Building,

(32) costs that Landlord incurs in operating an ancillary service in the Building in respect of which users pay a separate charge (such as a shoe shine stand, a newsstand, a stationery store or a parking facility),

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(33) costs that are duplicative of any other cost that is included in Operating Expenses,

(34) costs that Landlord incurs in organizing or maintaining in good standing the entity that constitutes Landlord, or in authorizing Landlord to do business in the jurisdiction where the Building is located,

(35) the portion of any costs that are properly allocable to any building other than Building,

(36) costs incurred in connection with the acquisition or sale of air rights, transferable development rights, easements or other real property interests, and

(37) costs incurred in connection with expanding the Rentable Area of the Building.

(E) The term "Operating Expense Payment" shall mean, with respect to any Operating Expense Year, the product obtained by multiplying (i) the excess (if any) of (A) the Operating Expenses for such Operating Expense Year, over (B) the Base Operating Expenses, by (ii) Tenant's Operating Expense Share.

(F) The term "Operating Expense Statement" shall mean a statement that shows the Operating Expense Payment for a particular Operating Expense Year.

(G) The term "Operating Expense Year" shall mean the Base Operating Expense Year and each subsequent calendar year.

(H) The term "Tenant's Operating Expense Share" shall mean, subject to the terms hereof, three thousand two hundred ninety-nine ten-thousandths percent (0.3299 %), as the same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million one hundred twenty-one thousand four hundred thirty-five (2,121,435).

2.6. Calculation of Operating Expenses.

(A)

(1) Subject to the terms of this Section 2.6(A), if the entire Rentable Area of the Building (other than the retail portion thereof) is not occupied by Persons conducting business therein for the entire Operating Expense Year, then, for purposes of calculating the Operating Expense Payment, Landlord shall have the right to increase Operating Expenses that vary based on the extent to which the Building is so occupied by the amount that Landlord would have included in Operating Expenses if the entire Rentable Area of the Real Property (other than the retail portion thereof) was occupied by Persons conducting business therein for the entire Operating Expense Year.

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(2) Subject to the terms of this Section 2.6(A), if (i) for any particular period, Landlord performs a particular service or a particular level of service for the benefit of Tenant in operating the Real Property, (ii) Tenant does not otherwise pay to Landlord additional rent for the costs incurred by Landlord in performing such service or such level of service, (iii) Landlord includes the cost of performing such service or such level of service in Operating Expenses for purposes of calculating the Operating Expense Payment for the applicable Operating Expense Year, and (iv) Landlord does not perform such service or such level of service for the benefit of all of the other portions of the Real Property that are occupied by Persons conducting business therein for the applicable period, then, for purposes of calculating the Operating Expense Payment, Landlord shall have the right to increase Operating Expenses that vary based on the extent to which Landlord performs such service or such level of service for the benefit of occupants of the Building by the amount that Landlord would have included in Operating Expenses if Landlord performed such service or such level of service for the entire Rentable Area of the Real Property (other than the retail portion thereof) that is occupied by Persons conducting business therein for the applicable period.

(3) Subject to the terms of this Section 2.6(A), if Landlord does not collect rents for all or any portion of the leasable space in the Building for any particular Operating Expense Year (or a portion thereof), then Landlord shall have the right to increase Operating Expenses to reflect the Property Management Charge that Landlord would have incurred if Landlord had collected rents for the entire applicable Operating Expense Year for all of the leasable area in the Building. If (x) a lease for the leasable space in the Building (or a portion thereof) is in effect, and (y) Landlord does not collect rent therefor for any reason (including, without limitation, the effectiveness of a rent abatement or the tenant's default under the applicable lease), then Landlord shall calculate the Property Management Charge as provided in this Section 2.6(A)(3) at the rental rate that applies thereunder (it being understood that if a rental abatement is in effect, then the Property Management Charge shall be calculated at the rental rate that applies immediately after the last day of the abatement period). If a lease for the leasable space in the Building (or a portion thereof) is not in effect, then Landlord shall calculate the Property Management Charge as provided in this Section 2.6(A)(3) at the then market rental rate.

(4) Subject to the terms of this Section 2.6(A), if Landlord, during a particular Operating Expense Year (or a portion thereof), does not perform repair and maintenance on a particular element of the Building because such element of the Building is out of service or not fully in use, then Landlord shall have the right to increase Operating Expenses to reflect the amount of expenses that Landlord would have incurred if Landlord had performed such repair and maintenance for the entire Operating Expense Year. Accordingly, if, for example, during a particular Operating Expense Year, Landlord does not incur costs to repair and maintain the finishes in the lobby of the Building because the lobby is not in service for such Operating Expense Year, then Landlord shall have the right to include in Operating Expenses for such Operating Expense Year the costs that Landlord would have incurred in repairing and maintaining the finishes in the lobby of the Building for the entire Operating Expense Year.

(5) In the event that Landlord increases the Operating Expenses for a particular Operating Expense Year as contemplated by subsections (1)-(4) of this Section 2.6(A), Landlord shall increase the Operating Expenses for the Base Operating Expense Year as described in subsections (1)-(4) of this Section 2.6(A). For purposes of calculating the Operating

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Expenses for the Base Operating Expense Year, any fee or expenditure that otherwise constitutes an Operating Expense and that is paid or payable to any Affiliate of Landlord shall not be less than the amount that would be reasonably expected to be paid in the absence of such relationship.

(B) Landlord shall have the right to include in Operating Expenses (and Landlord shall include in Base Operating Expenses), for the electricity supplied to the Building Systems and other common elements of the Building, an amount equal to one hundred five percent (105%) of the sum of:

(1) the product obtained by multiplying (i) the Average Cost per Peak Demand Kilowatt, by (ii) the number of kilowatts that constituted the peak demand for electricity for the Building Systems and the other common elements of the Building for the applicable period (as registered on a submeter or submeters, or, at Landlord's option, as determined from time to time by a survey prepared by an independent and reputable electrical consultant) (it being understood that such number of kilowatts as described in clause (ii) above shall not include the number of kilowatts that are attributable to the operation of the Building Systems to the extent that Tenant (or other tenants in the Building) make separate payment to Landlord therefor), and

(2) the product obtained by multiplying (i) the Average Cost per Kilowatt Hour, by (ii) the number of kilowatt hours of electricity used by the Building Systems and the other common elements of the Building for the applicable period (as registered on a submeter or submeters, or, at Landlord's

option, as determined by a survey prepared by an independent and reputable electrical consultant) (it being understood that such number of kilowatt hours as described in clause (ii) above shall not include the number of kilowatt hours that are attributable to the operation of the Building Systems to the extent that Tenant (or other tenants in the Building) make separate payment to Landlord therefor).

(C) If (i) Landlord makes an improvement to the Real Property or a replacement of equipment at the Real Property in either case in connection with the maintenance, repair, management or operation thereof, (ii) GAAP requires Landlord to capitalize the cost of such improvement or such replacement, and (iii) such improvement or replacement is made (a) to comply with a Requirement, (b) in lieu of repairs, or (c) for the purpose of saving or reducing Operating Expenses (such as, for example, an improvement that reduces labor costs or an improvement that saves energy costs), then Landlord shall have the right to include in Operating Expenses for each Operating Expense Year the amount that amortizes the cost of such improvement or such replacement, together with interest on the unamortized portion thereof that is calculated at two hundred (200) basis points in excess of the Base Rate, in equal annual installments over the useful life of such improvement or such equipment as determined in accordance with GAAP (until the cost of such improvement or such equipment is amortized fully); provided, however, that (I) for any such improvement or replacement that Landlord makes for the purpose of saving or reducing Operating Expenses, Landlord shall have the right to include in Operating Expenses for each Operating Expense Year the amount that amortizes the cost of such improvement or such replacement, together with interest on the unamortized portion of the cost of such improvement or replacement that is calculated at two hundred (200) basis points in excess of the Base Rate, in equal annual installments over the period that Landlord reasonably determines that the cost of such improvement or replacement (and such interest) will

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equal the aggregate amount of the reduction in other Operating Expenses for each Operating Expense Year that derives from such improvement or such replacement (with the understanding, however, that such period shall in no event exceed the useful life of such improvement or replacement as determined in accordance with GAAP), and (II) for any such improvement or replacement that Landlord makes in lieu of a repair (and that Landlord does not make to comply with a Requirement or for the purpose of saving or reducing Operating Expenses), the aforesaid amount that Landlord includes in Operating Expenses for any particular Operating Expense Year shall not exceed the cost of the repairs that Landlord would have otherwise made if Landlord did not make such improvement or replacement.

2.7. Operating Expense Payment.

(A) Tenant shall pay the Operating Expense Payment to Landlord in accordance with the terms of this Section 2.7.

(B) Landlord shall have the right to give a statement to Tenant from time to time pursuant to which Landlord sets forth Landlord's good faith estimate of the Operating Expense Payment for a particular Operating Expense Year (any such statement that Landlord gives to Tenant being referred to herein as a "Prospective Operating Expense Statement"; one-twelfth (1/12th) of the Operating Expense Payment shown on a Prospective Operating Expense Statement being referred to herein as the "Monthly Operating Expense Payment Amount"). If Landlord gives to Tenant a Prospective Operating Expense Statement (or Landlord is deemed to have given to Tenant a Prospective Operating Expense Statement pursuant to Section 2.7(C) hereof), then Tenant shall pay to Landlord, as additional rent, on account of the Operating Expense Payment due hereunder for such Operating Expense Year, the Monthly Operating Expense Payment Amount, on the first (1st) day of each subsequent calendar month for the remainder of such Operating Expense Year, in the same manner as the monthly installments of the Fixed Rent hereunder (it being understood that Tenant shall not be required to commence such payments of the Monthly Operating Expense Payment Amount (x) before the first (1st) day of the Operating Expense Year to which relates the applicable Monthly Operating Expense Payment Amount, or (y) earlier than the thirtieth (30^{th}) day after the date that Landlord gives the Prospective Operating Expense Statement to Tenant). If Landlord gives (or is deemed to have given) to Tenant a Prospective Operating Expense Statement after the first (1st) day of the applicable Operating Expense Year, then Tenant shall also pay to Landlord, within thirty (30) days after the date that Landlord gives the Prospective Operating Expense Statement to Tenant, an amount equal to the excess of (I) the product obtained by multiplying (x) the Monthly Operating Expense Payment Amount, by (y) the number of calendar months that have theretofore elapsed during such Operating Expense Year, over (II) the aggregate amount theretofore paid by Tenant to Landlord on account of the Operating Expense Payment for such Operating Expense Year. If Landlord gives (or is deemed to have given) to Tenant a Prospective Operating Expense Statement for a particular Operating Expense Year, then Landlord shall also provide to Tenant, within two hundred seventy (270) days after the last day of such Operating Expense Year, an Operating Expense Statement for such Operating Expense Year.

(C) Tenant shall pay to Landlord an amount equal to the excess (if any) of (i) the Operating Expense Payment as reflected on an Operating Expense Statement that Landlord gives to Tenant, over (ii) the aggregate amount that Tenant has theretofore paid to Landlord on

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account of the Operating Expense Payment (if any) as contemplated by Section 2.7(B) hereof, within thirty (30) days after the date that Landlord gives such Operating Expense Statement to Tenant. Tenant shall have the right to credit against the Rental thereafter coming due hereunder an amount equal to the excess (if any) of (i) the aggregate amount that Tenant has theretofore paid to Landlord on account of the Operating Expense Payment as contemplated by Section 2.7(B) hereof, over (ii) the Operating Expense Payment as reflected on such Operating Expense Statement; provided, however, that if the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (it being understood that Landlord's obligation to make such payment to Tenant shall survive the Expiration Date). If Landlord gives Tenant an Operating Expense Statement, then, unless Landlord otherwise specifies in such Operating Expense Statement, Landlord shall be deemed to have given to Tenant a Prospective Operating Expense Statement for the Operating Expense Year immediately succeeding the Operating Expense Year that is covered by such Operating Expense Statement, that reflects an Operating Expense Payment for such immediately succeeding Operating Expense Year in an amount equal to the Operating Expense Payment for such Operating Expense Year that is covered by such Operating Expense Statement.

(D) If the New Premises Rent Commencement Date (as such term is defined in the Amendment) occurs later than the first (1st) day of the Operating Expense Year that immediately succeeds the Base Operating Expense Year, then the Operating Expense Payment for the Operating Expense Year during which the New Premises Rent Commencement Date occurs shall be an amount equal to the product obtained by multiplying (X) the Operating Expense Payment that would have been due hereunder if the New Premises Rent Commencement Date was the first (1st) day of such Operating Expense Year, by (Y) a fraction, the numerator of which is the number of days in the period beginning on the New Premises Rent Commencement Date and ending on the last day of such Operating Expense Year, and the denominator of which is three hundred sixty-five (365) (or three hundred sixty-six (366), if such Operating Expense Year is a leap year).

(E) If the Expiration Date is not the last day of an Operating Expense Year, then the Operating Expense Payment for the Operating Expense Year during which the Expiration Date occurs shall be an amount equal to the product obtained by multiplying (X) the Operating Expense Payment that would

have been due hereunder if the Expiration Date was the last day of such Operating Expense Year, by (Y) a fraction, the numerator of which is the number of days in the period beginning on the first (1st) day of such calendar year and ending on the Expiration Date, and the denominator of which is three hundred sixty-five (365) (or three hundred sixty-six (366), if such Operating Expense Year is a leap year).

(F) Landlord's failure to give Tenant an Operating Expense Statement or a Prospective Operating Expense Statement for any Operating Expense Year shall not impair Landlord's right to give Tenant an Operating Expense Statement or a Prospective Operating Expense Statement for any other Operating Expense Year.

(G) Landlord shall have the right to give to Tenant an Operating Expense Statement at any time after the last day of the Base Operating Expense Year that reflects the Base Operating Expenses (regardless of whether such Operating Expense Statement reflects a payment that is due from Tenant on account of the Operating Expense Payment).

(H) If the Operating Expenses for the Base Operating Expense Year are redetermined at any time after the date that Landlord gives an Operating Expense Statement to Tenant for an Operating Expense Year, then Landlord shall give to Tenant a revised Operating Expense Statement that recalculates the Operating Expense Payment for an Operating Expense Year (using the Operating Expenses that reflects such redetermination for the Base Operating Expense Year). If such revised Operating Expense Statements indicates that Tenant has underpaid the Operating Expense Payment for any Operating Expense Year, then Tenant shall pay to Landlord an amount equal to the amount of such underpayment within thirty (30) days after Landlord gives such revised Operating Expense Statement to Tenant. If such revised Operating Expense Statement indicates that Tenant has overpaid the Operating Expense Payment for any Operating Expense Year, then Tenant shall have the right to credit against the Rental thereafter coming due hereunder an amount equal to the amount of such overpayment; provided, however, that if the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (it being understood that (I) Landlord's obligation to make such payment to Tenant shall survive the Expiration Date, and (II) nothing contained in this Section 2.7(H) limits Tenant's rights under Section 2.8 hereof).

(I) If, during any particular Operating Expense Year, Landlord receives a reimbursement, rebate or refund of an Operating Expense that Landlord incurred in a prior Operating Expense Year that occurs after the Base Operating Expense Year, then Landlord shall (x) adjust the Operating Expenses for such Operating Expense Year retroactively, and (y) give promptly to Tenant a revised Operating Expense Statement for such Operating Expense Year. If such revised Operating Expense Statement indicates that Tenant overpaid the Operating Expense Payment for such Operating Expense Year, then Tenant shall be entitled to credit the amount of such overpayment of the Operating Expense Payment against the Rental thereafter coming due hereunder, together with interest thereon calculated at the Base Rate from the date that Tenant paid such overpayment to Landlord to the date that Tenant uses such credit. If (x) Tenant is entitled to a credit against Rental pursuant to this Section 2.7(I), and (y) the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date).

2.8. Auditing of Operating Expense Statements.

(A) Any Operating Expense Statement that Landlord gives to Tenant shall be binding upon Tenant conclusively unless, within ninety (90) days after the date that Landlord gives Tenant such Operating Expense Statement, Tenant gives a notice to Landlord objecting to such Operating Expense Statement. Tenant's right to give such notice (and conduct the audit contemplated by this Section 2.8(A)) shall survive the Expiration Date (to the extent that the Expiration Date occurs earlier than the ninetieth (90th) day after the date that Landlord gives the applicable Operating Expense Statement to Tenant). Tenant shall have the right to audit the Base Operating Expenses as contemplated by this Section 2.8(A) only after receiving the first Operating Expense Statement that sets forth the Base Operating Expenses (including, without

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limitation, an Operating Expense Statement that Landlord gives to Tenant as described in Section 2.7(G) hereof), and, accordingly, once Tenant's right to so audit Base Operating Expenses lapses, Tenant shall not have the right to thereafter audit Base Operating Expenses, notwithstanding that Base Operating Expenses is included in the calculation of the Operating Expense Payment for subsequent Operating Expense Years). If Tenant gives such notice to Landlord, then, subject to the terms of this Section 2.8(A), Tenant may examine Landlord's books and records relating to such Operating Expense Statement to determine the accuracy thereof, provided that Tenant uses Tenant's diligent efforts to consummate such examination within a reasonable period after the date that Tenant gives such notice to Landlord. Tenant may perform such examination on reasonable advance notice to Landlord, at reasonable times, in Landlord's office or, at Landlord's option, at the office of Landlord's managing agent or accountants. Tenant shall not have the right to conduct an audit of Landlord's books and records as described in this Section 2.8 during the period that an Event of Default has occurred and is continuing. Tenant shall have the right to conduct such examination using Tenant's own employees. Tenant, in performing such examination, shall also have the right to be accompanied by a certified public accountant from a reputable firm that is reasonably acceptable to Landlord; provided, however, that Tenant shall not be entitled to be so accompanied by any certified public accountant unless Tenant and such certified public accountant certify to Landlord in a written instrument that is reasonably satisfactory to Landlord that the compensation being paid by Tenant to such certified public accountant is not conditioned or otherwise contingent (in whole or in part) on the extent of any reduction in the Operating Expense Payment that derives from such examination. Tenant shall not have the right to conduct any such audit unless Tenant delivers to Landlord a statement, in a form reasonably designated by Landlord, signed by Tenant and Tenant's certified public accountant to which such books and records are proposed to be disclosed, pursuant to which Tenant and such certified public accountants agree to maintain the information obtained from such examination in confidence (subject, however, to the disclosure of the information that Tenant or Tenant's certified public accountant derive from such examination as required by law or to Tenant's counsel or other professional advisors that in either case agree to maintain such information in confidence).

(B) If it is determined ultimately that (i) Landlord, in an Operating Expense Statement, overstated the Operating Expense Payment, and (ii) Tenant overpaid the Operating Expense Payment for a particular Operating Expense Year, then Tenant shall be entitled to credit the amount of such overpayment of the Operating Expense Payment against the Rental thereafter coming due hereunder. If (x) Tenant is entitled to a credit against Rental pursuant to this Section 2.8(B), and (y) the Expiration Date occurs prior to the date that such credit is exhausted, then Landlord shall pay to Tenant the unused portion of such credit on or prior to the thirtieth (30th) day after the Expiration Date (and Landlord's obligation to make such payment shall survive the Expiration Date).

(C) Nothing contained in this Section 2.8 shall constitute an extension of the date by which Tenant is required to pay the Operating Expense Payment to Landlord hereunder.

2.9. Building Additions.

If Landlord makes improvements to the Building to expand the Rentable Area thereof, then, with respect to the period from and after the date that such improvements are Substantially

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Completed, (I) Tenant's Operating Expense Share shall be recalculated as of the date that such improvements are Substantially Completed as the quotient (expressed as a percentage) that is obtained by dividing (x) the number of square feet of Rentable Area in the Premises, by (y) the number of square feet of Rentable Area in the Building (other than any retail portion thereof) (after taking such expansion into account) and (II) Base Operating Expenses shall be deemed to be an amount equal to the product obtained by multiplying (x) Base Operating Expenses prior to the date that such improvements are Substantially Completed, by (y) a fraction, the numerator of which is the Operating Expenses for the Building (after such improvements are Substantially Completed), and the denominator of which is the Operating Expenses for the Building (prior to such improvements being Substantially Completed).

Exhibit "C"

The Designated Shaftway

One Penn Plaza (N001) - Floor 19 - Occupancy

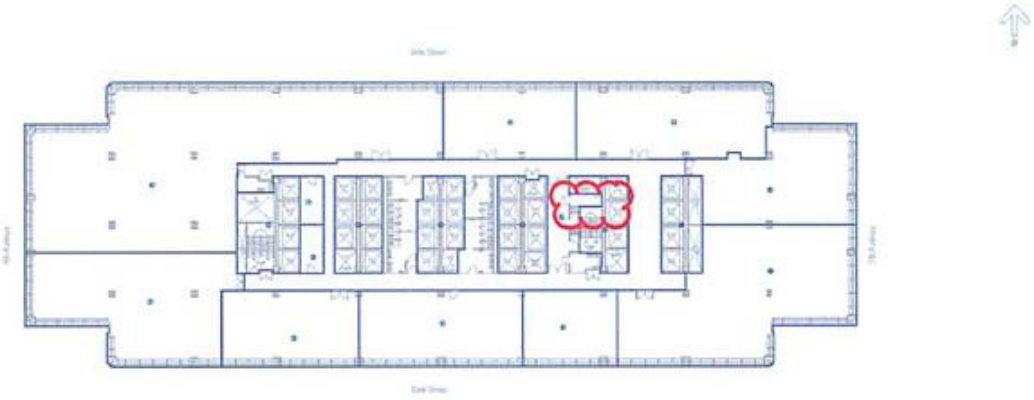
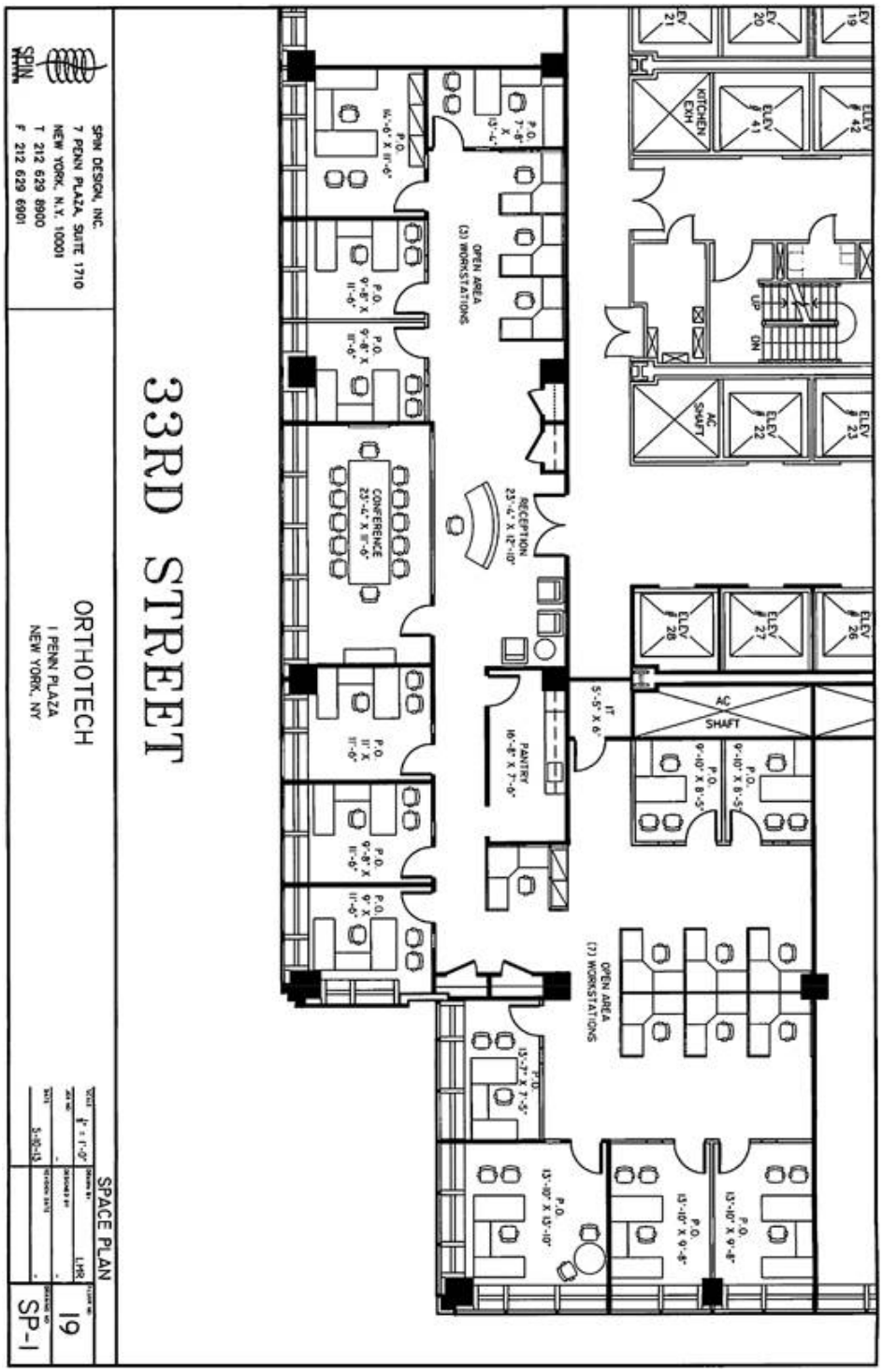


Exhibit "D"

New Work Final Space Plan

(See Attached)



SECOND AMENDMENT OF LEASE

THIS SECOND AMENDMENT OF LEASE, made as of the 20th day of December, 2013 (this "Amendment"), by and between ONE PENN PLAZA LLC, a New York limited liability company, having an office c/o Vornado Office Management LLC, 888 Seventh Avenue, New York, New York 10019 ("Landlord"), and OPHTHOTECH CORPORATION, a Delaware corporation, having an office at One Penn Plaza, New York, New York 10019 ("Tenant").

W I T N E S S E T H:

WHEREAS, by Lease, dated as of September 30, 2007 (the "Original Lease"). between Landlord and Tenant, Landlord did demise and let unto Tenant and Tenant did hire and take from Landlord, a portion of the rentable area located on the thirty-fifth (35th) floor of the building known by the street address of One Penn Plaza, New York, New York (the "Building"), as more particularly described therein (the "Original Premises");

WHEREAS, the Original Lease was amended and modified by a letter agreement, dated as of September 28, 2012 (as so amended, the "Letter Agreement"), between Landlord and Tenant; and

WHEREAS, by Amendment of Lease, dated as of August 30, 2013 (the "First Amendment" and the Original Lease as modified by the Letter Agreement and the First Amendment, the "Lease"), (x) Tenant surrendered the Original Premises to Landlord, (y) Landlord leased to Tenant and Tenant hired from Landlord, a portion of the nineteenth (19th) floor of the Building, as more particularly described therein (the "First Nineteenth Floor Premises"), and (z) Landlord and Tenant extended the term of the Lease; and

WHEREAS, Landlord desires to lease to Tenant and Tenant desires to hire from Landlord an additional portion of the nineteenth (19th) floor of the Building, as more particularly shown on the floor plan attached hereto as Exhibit "A" and made a part hereof (the "Second Nineteenth Floor Premises") and to otherwise modify the Lease as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their legal representatives, successors and assigns, hereby agree as follows:

1. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Lease, unless otherwise defined herein.

2. Second Nineteenth Floor Premises. From and after the date on which Landlord delivers vacant and exclusive possession of the Second Nineteenth Floor Premises to Tenant with Landlord's Second Nineteenth Floor Premises Work (as hereinafter defined) Substantially Complete (such date, the "Second Nineteenth Floor Premises Commencement Date"), Landlord leases to Tenant, and Tenant hires from Landlord, the Second Nineteenth Floor Premises upon all of the same terms, covenants and conditions set forth in the Lease, except as modified and amended herein. From and after the Second Nineteenth Floor Premises Commencement Date, all references in the Lease to the "Premises" shall be deemed to mean, collectively, the First Nineteenth Floor Premises and the Second Nineteenth Floor Premises, for all purposes of the Lease, as modified and amended hereby.

3. Modification of Lease. From and after the Second Nineteenth Floor Premises Commencement Date, the Lease with respect to the Second Nineteenth Floor Premises only, is hereby amended and modified as follows:

(A) The Fixed Rent shall be an amount equal to:

(i) One Hundred Sixty-Six Thousand Six Hundred Sixty- Eight and 00/100 Dollars ($166,668.00) per annum for the period commencing on the Second Nineteenth Floor Premises Commencement Date and ending on December 31, 2016 ($13,889.00 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease; provided; however, that if no Event of Default has occurred and is then continuing, the Fixed Rent for the period commencing on the Second Nineteenth Floor Premises Commencement Date and ending on the Second Nineteenth Floor Premises Rent Commencement Date shall be abated. The term "Second Nineteenth Floor Premises Rent Commencement Date" shall mean the date which is sixty (60) days after the Second Nineteenth Floor Premises Commencement Date; and

(ii) One Hundred Eighty-One Thousand Two Hundred Eighty-Eight and 00/100 Dollars ($181,288.00) per annum for the period commencing on January 1, 2017 and ending on the New Expiration Date ($15,107.33 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease. It being agreed that the term "New Expiration Date" means February 29, 2020.

(B) The Rentable Area of the Second Nineteenth Floor Premises is two thousand nine hundred twenty-four (2,924) square feet in the aggregate.

(C) The term "Base Taxes" (as such term is defined in Section 2.1(B) of the Lease) shall mean the average of the Taxes payable during the Base Tax Year.

(D) The term "Base Tax Year" (as such term is defined in Section 2.1(C) of the Lease) shall mean the period consisting of two (2) fiscal years which commences on July 1, 2013 and ends on June 30, 2015 (it being understood that the Tax Payment shall be

due with respect to each Tax Year following the first Tax Year in the Base Tax Year).

(E) The term "Tenant's Tax Share" (as such term is defined in Section 2.1(I) of the Lease) shall mean, subject to the terms of the Lease, as amended hereby, one thousand two hundred two ten-thousandths percent (.1202 %), as the same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million four hundred thirty-two thousand eight hundred fifty-one (2,432,851).

(F) Section 2.5 of the Lease (as set forth in Exhibit "B" to the First Amendment) shall be applicable to the Second Nineteenth Floor Premises, provided that with respect to the Second Nineteenth Floor Premises only, the term Tenant's Operating Expense shall mean one thousand three hundred seventy-eight ten-thousandths percent (.1378%), as same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million one hundred twenty-one thousand six hundred eighty-five (2,121,685) which is the Rentable Area of the Building, excluding the retail portion thereof.

(G) Section 5.1 of the Lease (as amended by the First Amendment) shall be applicable to the Second Nineteenth Floor Premises:

(H) Pursuant to the terms of Section 5.3(J) of the Lease, Landlord hereby exercises the Submeter Conversion Right with respect to the Second Nineteenth Floor Premises and the provisions of Section 5.4 of the Lease, as amended hereby, shall be deemed applicable with respect to the Second Nineteenth Floor Premises from and after the Second Nineteenth Floor Premises Commencement Date. For the avoidance of doubt, the provisions of Sections 5.3(A)-(I) shall not be applicable to the Second Nineteenth Floor Premises from and

after the Second Nineteenth Floor Premises Commencement Date. Landlord shall use commercially reasonable efforts to coordinate the installation of the submeter or submeters in the Second Nineteenth Floor Premises simultaneously with the performance of Landlord's Second Nineteenth Floor Premises Work; it being understood that in the event that it is not reasonably practicable for Landlord to install the submeter or submeters in the Second Nineteenth Floor Premises simultaneously with the performance of Landlord's Second Nineteenth Floor Premises Work, Landlord and Tenant shall cooperate with each other in good faith to coordinate the installation of such submeter or such submeters with Tenant's performance of the Initial Alterations in the Second Nineteenth Floor Premises.

(I) Section 5.4 of the Lease is hereby amended and modified to:

(i) delete from Section 5.4(B) thereof, the percentage "one hundred four percent (104%)" and to insert the percentage "one hundred seven percent (107%)" in lieu thereof;

(ii) insert in clause (ii) of Section 5.4(G) thereof, immediately after the words "installing a submeter or submeters in the Premises", the words "or prior to the date on which such submeter or submeters become operational";

(iii) delete from Section 5.4(G) thereof, the amount of "$.0045" therefrom and insert the amount of "$.0041" in lieu thereof;

(iv) insert in clause (ii) of Section 5.4(H) thereof, immediately after the words "installing a submeter or submeters in the Premises", the words "or prior to the date on which such submeter or submeters become operational"; and

(v) delete from Section 5.4(H) thereof, the amount of "$.0089" and insert the amount of "$.0041" in lieu thereof.

(J) Sections 13.4, 14.1(A), 15.3(A), 15.3(B), 17.3(E)(2)(c)(ii) and 17.3(F)(3)(a) of the Lease shall be deemed amended and modified to insert after the words "the Tax Payment" in each section thereof, the words "and the Operating Expense Payment (as such term is defined in Section 2.5 hereof, as set forth in Exhibit "B" attached to the Amendment and made a part thereof), between Landlord and Tenant)" except that the language in the parenthetical shall only be added the first time such language is inserted into the Lease.

(K) Section 21.3(A)(2) of the Lease shall be deemed amended and modified to insert after the words "or Tax Payment" in the twelfth (12th) line thereof, the words "or Operating Expense Payment" in lieu thereof.

4. Expansion Right. (A) Tenant shall have option to lease an additional portion of the nineteenth (19th) floor of the Building, as more particularly described on Exhibit "C" attached hereto and made a part hereof (the "Third Nineteenth Floor Premises") by giving notice to Landlord by December 23, 2013 (time being of the essence) that Tenant is exercising such option. If Tenant exercises such option then and only in such event shall the provisions of this Paragraph 4 be applicable.

(B) From and after the date on which Landlord delivers vacant and exclusive possession thereof to Tenant, the Third Nineteenth Floor Premises shall be leased to Tenant subject to and in accordance with this Paragraph 4. If Tenant does not give such notice to Landlord on or prior to such date, then Landlord shall thereafter have the right to lease the Third Nineteenth Floor Premises (or any part thereof) to any other Person on terms acceptable to Landlord, in Landlord's sole discretion, without being required to make any other offer to Tenant

regarding the Third Nineteenth Floor Premises under this Paragraph 4. Tenant shall not have the right to revoke such notice given to Landlord pursuant to this Paragraph 4. Tenant shall not have the right to exercise such option for only a portion of the Third Nineteenth Floor Premises.

(C) From and after the date on which Landlord delivers vacant and exclusive possession of the Third Nineteenth Floor Premises to Tenant with Landlord's Third Nineteenth Floor Premises Work (as hereinafter defined) Substantially Complete (such date, the "Third Nineteenth Floor Premises Commencement Date"), Landlord leases to Tenant, and Tenant hires from Landlord, the Third Nineteenth Floor Premises upon all of the same terms, covenants and conditions set forth in the Lease, except as modified and amended herein. From and after the Third Nineteenth Floor Premises Commencement Date, all references in the Lease to the "Premises" shall be deemed to mean, collectively, the First Nineteenth Floor Premises, the Second Nineteenth Floor Premises (subject to the terms hereof) and the Third Nineteenth Floor Premises for all purposes of the Lease, as modified and amended hereby.

(D) From and after the Third Nineteenth Floor Premises Commencement Date, the Lease with respect to the Third Nineteenth Floor Premises only, is hereby amended and modified as follows:

(i) The Fixed Rent shall be an amount equal to:

(x) One Hundred Seventy-Four Thousand Three Hundred Sixty-Three and 00/100 Dollars ($174,363.00) per annum for the period commencing on the Third Nineteenth Floor Premises Commencement Date and ending on December 31, 2016 ($14,530.25 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease; provided; however, that if no Event of Default has occurred and is then continuing, the Fixed Rent for the period commencing on the Third Nineteenth Floor Premises

Commencement Date and ending on the Third Nineteenth Floor Premises Rent Commencement Date shall be abated. The term "Third Nineteenth Floor Premises Rent Commencement Date" shall mean the date which is sixty (60) days after the Third Nineteenth Floor Premises Commencement Date; and

(y) One Hundred Eighty-Nine Thousand Six Hundred Fifty-Eight and 00/100 Dollars ($189,658.00) per annum for the period commencing on January 1, 2017 and ending on the New Expiration Date ($15,804.83 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease. It being agreed that the term "New Expiration Date" means February 29, 2020.

(ii) The Rentable Area of the Third Nineteenth Floor Premises is three thousand fifty-nine (3,059) square feet in the aggregate.

(iii) The term "Base Taxes" (as such term is defined in Section 2.1(B) of the Lease) shall mean the average of the Taxes payable during the Base Tax Year.

(iv) The term "Base Tax Year" (as such term is defined in Section 2.1(C) of the Lease) shall mean the period consisting of two (2) fiscal years which commences on July 1, 2013 and ends on June 30, 2015 (it being understood that the Tax Payment shall be due with respect to each Tax Year following the first Tax Year in the Base Tax Year).

(v) The term "Tenant's Tax Share" (as such term is defined in Section 2.1(I) of the Lease) shall mean, subject to the terms of the Lease, as amended hereby, one thousand two hundred fifty-seven ten-thousandths percent (.1257 %), as the same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million four hundred thirty-two thousand eight hundred fifty-one (2,432,851), which is the Rentable Area of the Building on the date hereof.

(vi) Section 2.5 of the Lease (as set forth in Exhibit "B" to the First Amendment) shall be applicable to the Third Nineteenth Floor Premises, provided that with respect to the Third Nineteenth Floor Premises only, the term Tenant's Operating Expense shall mean two million one hundred twenty-one thousand six hundred eighty-five (2,121,685), as same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million one hundred twenty-one thousand six hundred eighty-five (2,121,685) which is the Rentable Area of the Building, excluding the retail portion thereof.

(vii) Section 5.1 of the Lease (as amended by the First Amendment) shall be applicable to the Third Nineteenth Floor Premises:

(viii) Pursuant to the terms of Section 5.3(J) of the Lease, Landlord hereby exercises the Submeter Conversion Right with respect to the Third Nineteenth Floor Premises and the provisions of Section 5.4 of the Lease, as amended hereby, shall be deemed applicable with respect to the Third Nineteenth Floor Premises from and after the Third Nineteenth Floor Premises Commencement Date. For the avoidance of doubt, the provisions of Sections 5.3(A)-(I) shall not be applicable to the Third Nineteenth Floor Premises from and after the Third Nineteenth Floor Premises Commencement Date. Landlord shall use commercially reasonable efforts to coordinate the installation of the submeter or submeters in the Third Nineteenth Floor Premises simultaneously with the performance of Landlord's Third Nineteenth Floor Premises Work; it being understood that in the event that it is not reasonably practicable for Landlord to install the submeter or submeters in the Third Nineteenth Floor Premises simultaneously with the performance of Landlord's Third Nineteenth Floor Premises Work, Landlord and Tenant shall cooperate with each other in good faith to coordinate the installation

of such submeter or such submeters with Tenant's performance of the Initial Alterations in the Third Nineteenth Floor Premises.

(ix) Section 5.4 of the Lease is hereby amended and modified to:

(a) delete from Section 5.4(B) thereof, the percentage "one hundred four percent (104%)" and to insert the percentage "one hundred seven percent (107%)" in lieu thereof;

(b) insert in clause (ii) of Section 5.4(G) thereof, immediately after the words "installing a submeter or submeters in the Premises", the words "or prior to the date on which such submeter or submeters become operational";

(c) delete from Section 5.4(G) thereof, the amount of "$.0045" therefrom and insert the amount of "$.0041" in lieu thereof;

(d) insert in clause (ii) of Section 5.4(H) thereof, immediately after the words "installing a submeter or submeters in the Premises", the words "or prior to the date on which such submeter or submeters become operational"; and

(e) delete from Section 5.4(H) thereof, the amount of "$.0089" and insert the amount of "$.0041" in lieu thereof.

(x) Sections 13.4, 14.1(A), 15.3(A), 15.3(B), 17.3(E)(2)(c)(ii) and 17.3(F)(3)(a) of the Lease shall be deemed amended and modified to insert after the words "the Tax Payment" in each section thereof, the words "and the Operating Expense Payment (as such term is defined in Section 2.5 hereof, as set forth in Exhibit "B" attached to the Amendment and made a part thereof), between Landlord and Tenant)" except that the language in the parenthetical shall only be added the first time such language is inserted into the Lease.

(xi) Section 21.3(A)(2) of the Lease shall be deemed amended and modified to insert after the words "or Tax Payment" in the twelfth (12th) line thereof, the words "or Operating Expense Payment" in lieu thereof.

5. Condition of Premises. (A) Tenant represents that it has made a thorough inspection of the Second Nineteenth Floor Premises and, subject to the provisions of Paragraph 6 hereof, agrees to take the Second Nineteenth Floor Premises in its "as-is" condition existing on the Second Nineteenth Floor Premises Commencement Date. Tenant further acknowledges and agrees that notwithstanding anything to the contrary contained in the Lease, as amended hereby, Landlord has made no representations with respect to the Second Nineteenth Floor Premises and Landlord shall have no obligation to perform any work (other than Landlord's Second Nineteenth Floor Premises Work) provide any work allowance or rent credit (other than as expressly set forth in Paragraph 3(A)(i) hereof), alter, improve, decorate, or otherwise prepare the Second Nineteenth Floor Premises for Tenant's occupancy prior to the Second Nineteenth Floor Premises Commencement Date. On the Second Nineteenth Floor Premises Commencement Date, the Second Nineteenth Floor Premises shall be in broom clean condition. Promptly following the Second Nineteenth Floor Premises Commencement Date, Landlord shall deliver to Tenant a Form ACP-5 (or the then current equivalent thereof) covering the Second Nineteenth Floor Premises.

(B) In the event that Tenant effectively exercises its option pursuant to Paragraph 4 hereof to lease the Third Nineteenth Floor Premises, the terms of this Paragraph 5(B) shall be applicable. Tenant represents that it has made a thorough inspection of the Third Nineteenth Floor Premises and, subject to the provisions of Paragraph 6 hereof, agrees to take the Third Nineteenth Floor Premises in its "as-is" condition existing on the Third

Nineteenth Floor Premises Commencement Date. Tenant further acknowledges and agrees that notwithstanding anything to the contrary contained in the Lease, as amended hereby, Landlord has made no representations with respect to the Third Nineteenth Floor Premises and Landlord shall have no obligation to perform any work (other than Landlord's Third Nineteenth Floor Premises Work) provide any work allowance or rent credit (other than as expressly set forth in Paragraph 4(D)(i)(x) hereof), alter, improve, decorate, or otherwise prepare the Third Nineteenth Floor Premises for Tenant's occupancy prior to the Third Nineteenth Floor Premises Commencement Date. On the Third Nineteenth Floor Premises Commencement Date, the Third Nineteenth Floor Premises shall be in broom clean condition. Promptly following the Third Nineteenth Floor Premises Commencement Date, Landlord shall deliver to Tenant a Form ACP-5 (or the then current equivalent thereof) covering the Third Nineteenth Floor Premises.

6. Landlord's Second Nineteenth Floor Work. (A) Landlord shall, at Landlord's expense, perform the work necessary to modify the Premises in accordance with the Second Nineteenth Floor Premises Work Final Plans (as hereinafter defined) to be prepared by Spin Design, Inc. ("Architect"), at Landlord's own cost and expense, which Second Nineteenth Floor Premises Work Final Plans shall be based upon that certain drawing identified as SP-1, prepared by Architect and dated October 18, 2013 (the "Second Nineteenth Floor Premises Work Final Space Plan"), a copy of which is attached hereto as Exhibit "B" and made a part hereof (such work, "Landlord's Second Nineteenth Floor Premises Work"). Landlord shall perform Landlord's Second Nineteenth Floor Premises Work using materials and finishes which are reasonably comparable to the materials and finishes installed in the Original Premises (such materials and finishes, "Building Standard Installations"). Notwithstanding the foregoing to the contrary, Landlord shall not be obligated to install any supplemental air-conditioning system

furniture or built-ins or telecommunication wiring or equipment even if same are shown on the Second Nineteenth Floor Premises Work Initial Plans (as hereinafter defined), the Second Nineteenth Floor Premises Work Final Space Plan or the Second Nineteenth Floor Premises Work Final Plans.

(B) Tenant shall cause Architect to deliver to Landlord on or prior to January 1, 2014 (the "Plan Deadline") in the manner set forth in Paragraph 6(D) hereof, six (6) copies of the plans ("Tenant's Second Nineteenth Floor Premises Work Initial Plans") for Landlord's Second Nineteenth Floor Premises Work, which shall be (x) one hundred percent (100%) complete and ready to bid and build (including, without limitation, layout, architectural, mechanical, structural, engineering and plumbing drawings, to the extent applicable), (y) stamped and approved by Architect, and (z) in format containing sufficient detail (i) for Landlord and Landlord's consultants to reasonably assess the proposed work to prepare the Second Nineteenth Floor Premises for Tenant's initial occupancy, and (ii) to permit Landlord to make all necessary filings with Governmental Authorities to obtain the required permits, approvals and certificates to allow Landlord to commence Landlord's Second Nineteenth Floor Premises Work (the requirements set forth in clauses (x)-(z) hereof, the "Plan Requirements").

(C) Tenant shall cause Architect to revise Tenant's Second Nineteenth Floor Premises Initial Plans if and to the extent that Landlord objects or comments thereto and deliver to Landlord in the manner set forth in Paragraph 6(D) hereof, six (6) copies of Tenant's Second Nineteenth Floor Premises Work Initial Plans, as so revised, which revised plans shall (i) address all of Landlord's objections and comments to Landlord's reasonable satisfaction and (ii) satisfy all of the Plan Requirements (the Tenant's Second Nineteenth Floor Premises Initial Plans either (x) revised as aforesaid, or (y) if Landlord shall not object or comment thereto, as

applicable, shall constitute the "Second Nineteenth Floor Premises Final Plans"). Tenant shall deliver or cause Architect to deliver the Second Nineteenth Floor Premises Final Plans to Landlord on or prior to the earlier to occur of (x) the date which is five (5) days following the date that Landlord gives Tenant Landlord's objections and/or comments, if any, to Tenant's Second Nineteenth Floor Premises Initial Plans and (y) January 31, 2014 (such earlier date, the "Revision Deadline").

(D) Notwithstanding anything to the contrary set forth in this Lease, Tenant shall (I) deliver or cause Architect to deliver (x) five (5) copies of Tenant's Second Nineteenth Floor Premises Initial Plans and the Second Nineteenth Floor Premises Initial Final Plans to Landlord at the Building, Attention: Property Manager and (y) one (1) copy of Tenant's Second Nineteenth Floor Premises Initial Plans and the Second Nineteenth Floor Premises Final Plans to Landlord, c/o Vornado Office Management LLC, 888 Seventh Avenue, 44th Floor, New York, New York 10019, Attention: Steve Sonitis and (II) cause Tenant's Second Nineteenth Floor Premises Initial Plans and the Second Nineteenth Floor Premises Final Plans to be clearly labeled in large, bold, capitalized font on the exterior thereof **"TENANT'S PLANS ENCLOSED- TIME SENSITIVE".**

(E) Landlord shall perform Landlord's Second Nineteenth Floor Premises Work in a good and workmanlike manner. Landlord shall perform Landlord's Second Nineteenth Floor Premises Work in accordance with all applicable Requirements.

(F) On or prior to five (5) Business Days after Landlord's rendition of a statement therefor, Tenant shall pay Landlord for Landlord's actual, out-of-pocket costs to perform any Tenant Second Nineteenth Floor Premises Extra Work, which statement shall have annexed thereto documentation that reasonably substantiates the charges set forth thereon. For

purposes hereof, the term "Tenant Second Nineteenth Floor Premises Extra Work" shall mean collectively, (i) any above Building Standard Installations (to the extent the hard and soft costs incurred in connection with performing the applicable portion of Landlord's Second Nineteenth Floor Premises Work in connection therewith exceed the hard and soft costs which Landlord would have incurred in performing such portion of Landlord's Second Nineteenth Floor Premises Work using Building Standard Installations), and/or (ii) any portion of Landlord's Second Nineteenth Floor Premises Work that is denoted on the Second Additional Nineteenth Floor Premises Work Final Plans (including, without limitation, the "Note" and "Legends" sections of the Second Nineteenth Floor Premises Work Final Plans) as "Alternate Pricing", "Alt. Pricing" or similar language denoting any alternatives from the Second Nineteenth Floor Premises Final Space Plan. The cost for performing any Tenant Second Nineteenth Floor Premises Extra Work shall be determined in accordance with Landlord's standard bidding procedure. Notwithstanding the foregoing to the contrary, Landlord shall have the right to let the construction contract to the lowest responsible bidder without taking into account the cost of any items of Tenant Second Nineteenth Floor Premises Extra Work (with the understanding that Landlord shall have the right to exercise Landlord's reasonable business judgment in selecting the form of contractual arrangement for the construction contract). Landlord shall notify Tenant pursuant to Paragraph 6(K) hereof as promptly as reasonably practicable after Landlord's bidding procedure is completed of the estimated price for each item of Tenant Second Nineteenth Floor Premises Extra Work. On or prior to five (5) Business Days after Landlord gives Tenant notice of such estimated price, Tenant shall notify Landlord if Tenant (w) elects for Landlord to perform such items of Tenant Second Nineteenth Floor Premises Extra Work, (x) elects for Landlord not to perform a particular item of Tenant Second Nineteenth Floor Premises Extra

Work and instead elects to have Landlord perform the particular item of work at Landlord's cost using a Building Standard Installation (if such item is capable of being replaced with a Building Standard Installation), (y) elects to choose a finish or specification that costs less than the original estimated price given by Landlord to Tenant but for which Tenant would pay Landlord pursuant to the terms of this Paragraph 6(F), or (z) elects, at Tenant's cost and expense, to perform such item of Tenant Second Nineteenth Floor Premises Extra Work itself, in which event Tenant shall perform such item as an Alteration; provided, however, Landlord shall be permitted to install a Building Standard Installation or otherwise in lieu of any such item if Tenant's delay in performing such item would delay Landlord's Second Nineteenth Floor Premises Extra Work. If Tenant elects the immediately preceding clause (z), then such item of work shall be performed by Tenant as an Alteration, in accordance with the applicable terms and provisions of the Lease, as amended hereby, governing Alterations except that such item of work shall be deemed to be approved by Landlord to the extent Tenant performs such item or work in accordance with the Second Nineteenth Floor Work Final Plans; it being understood, however, that Landlord shall be deemed to have Substantially Completed Landlord's Second Nineteenth Floor Premises Work even if certain items are incomplete as a result of Tenant's failure to complete any portion of Tenant Second Nineteenth Floor Premises Extra Work. In the event that any item of Tenant Second Nineteenth Floor Premises Extra Work creates a field condition that requires a change to Landlord's Second Nineteenth Floor Premises Work resulting in an increase of the cost of Landlord's Second Nineteenth Floor Premises Landlord shall have the right before proceeding with such change to require Tenant (x) to agree in writing to such increase in cost within two (2) Business Days from the date of Landlord's request (which request may be verbal) for Tenant's agreement and (y) to pay such increase within five (5) Business Days of Landlord's

invoice therefor; it being understood, however, that Landlord shall not have the aforesaid right unless such field condition arises as a result of any item of Second Nineteenth Floor Premises Extra Work. If Tenant shall fail or refuse to so agree to and/or pay for such increase then Landlord shall have the right (but not the obligation) to either refuse to perform such Second Nineteenth Floor Premises Extra Work, and continue the performance of Landlord's Second Nineteenth Floor Premises without making the changes thereto contemplated by such Tenant Second Nineteenth Floor Premises Extra Work or to revise the scope of Landlord's Second Nineteenth Floor Premises Work so as not to require a change resulting from a field condition.

(G) Landlord shall have the right to delegate Landlord's obligations to perform all or any portion of Landlord's Second Nineteenth Floor Premises Work to an affiliate of Landlord (it being understood, however, that Landlord's delegating such obligations to an affiliate of Landlord shall not diminish Landlord's liability for the performance of Landlord's Second Nineteenth Floor Premises Work in accordance with the terms of this Paragraph 5). Landlord shall also have the right to assign to such affiliate of Landlord the rights of Landlord hereunder to receive from Tenant the payments for the performance of the portions of Landlord's Second Nineteenth Floor Premises Work pursuant to Paragraph 6(F) hereof (it being understood that if (i) Landlord so assigns such rights to such affiliate of Landlord, and (ii) Landlord gives Tenant notice thereof, then Tenant shall pay directly to such affiliate any such amounts otherwise due and payable to Landlord hereunder). Landlord shall not be required to maintain or repair during the Term any items of Landlord's Second Nineteenth Floor Premises Work except as otherwise expressly provided in the Lease, as amended hereby, it being agreed that Landlord shall make available to Tenant all guaranties or warranties received by Landlord in connection

with Landlord's Second Nineteenth Floor Premises Work to the extent such guaranties and warranties shall not be rendered invalid thereby.

(H) The following terms shall have the following meanings:

(i) The term "Long Lead Work" shall mean any item which is not a stock item and must be specially manufactured, fabricated or installed or is of such an unusual, delicate or fragile nature that there is a substantial risk that (i) there will be a delay in its manufacture, fabrication, delivery or installation, or (ii) after delivery of such item will need to be reshipped or redelivered or repaired so that, in Landlord's reasonable judgment, the item in question cannot be completed when the standard items are completed even though the items of Long Lead Work in question are (1) ordered together with the other items required and (2) installed or performed (after the manufacture or fabrication thereof) in order and sequence that such Long Lead Work and other items are normally installed or performed in accordance with good construction practice. In addition, Long Lead Work shall include any standard item, which in accordance with good construction practice should be completed after the completion of any item of work in the nature of the items described in the immediately preceding sentence. Landlord shall notify Tenant in accordance with Paragraph 6(K) hereof, if any items on the Second Nineteenth Floor Premises Work Final Plans constitute items of Long Lead Work and advise Tenant of the reasonably anticipated time period for the delivery of such items, and subject to the terms hereof, Tenant shall have two (2) Business Days from receipt of such notice to revise such plans to change or remove such items; provided, however, in such event, to the extent Tenant revises the Second Nineteenth Floor Premises Work Final Plans, any period beyond such two (2) Business Day period shall constitute a Tenant Work Delay, subject to the terms of Paragraph 6(H)(ii) hereof.

(ii) The term "Tenant Second Nineteenth Floor Premises Work Delays" shall mean Tenant's acts or omissions (including, without limitation, (w) changes or change orders to plans or finishes, (x) the failure to deliver or cause Architect to deliver Tenant's Second Nineteenth Floor Premises Work Initial Plans to Landlord on or prior to the Plan Deadline, and/or the failure to deliver or cause Architect to deliver the Second Nineteenth Floor Premises Work Final Plans to Landlord on or prior to the Revision Deadline, in either case in compliance with the Plan Requirements and in accordance with the provisions of Paragraph 6(D) hereof, (y) delays or failures to notify or respond to requests of Landlord and/or (z) the failure to make any of the payments required by Paragraph 6(F) hereof within the time periods specified therein) that delay Landlord in the performance of Landlord's Second Nineteenth Floor Premises Work.

(I) Notwithstanding anything to the contrary contained in this Amendment, in the event that Substantial Completion of Landlord's Second Nineteenth Floor Premises Work shall be delayed by reason of any Tenant Second Nineteenth Floor Premises Work Delays and/or items of Long Lead Work, then only for purposes of determining the date on which the Second Nineteenth Floor Premises Rent Commencement Date shall occur, the Second Nineteenth Floor Premises Commencement Date and the Substantial Completion of Landlord's Second Nineteenth Floor Premises Work shall each be deemed to have occurred on the date the same would have otherwise occurred but for such Tenant Second Nineteenth Floor Premises Work Delays and/or such items of Long Lead Work, notwithstanding that Landlord has not yet delivered possession of the Second Nineteenth Floor Premises to Tenant.

(J) Tenant during the Term, shall not remove Landlord's Second Nineteenth Floor Premises Work or any portion thereof (or Alterations that replace Landlord's

Second Nineteenth Floor Premises Work (or such portion thereof) unless Tenant replaces Landlord's Second Nineteenth Floor Premises Work (or such portion thereof), or such Alterations, as the case may be, with Alterations that have a fair value that is equal to or greater than such portion of Landlord's Second Nineteenth Floor Premises Work (it being understood that such Alterations that Tenant performs to replace Landlord's Second Nineteenth Floor Premises Work (or such portion thereof), or such other Alterations, as the case may be, shall constitute the property of Landlord as contemplated by this Paragraph 6(J).

(K) Notwithstanding the provisions of Article 27 of the Lease, as amended hereby to the contrary, any notices required to be given pursuant to this Paragraph 5 shall be deemed given if sent to Tenant via electronic mail to the attention of Tom Biancardi at tom.biancardii@ophthotech.com.

(L) In the event that Tenant effectively exercises its option pursuant to Paragraph 4 hereof to lease the Third Nineteenth Floor Premises, the foregoing provisions of this Paragraph 6 shall be applicable provided that the terms "Second Nineteenth Floor Premises", "Second Nineteenth Floor Premises Work Final Plans", "Second Nineteenth Floor Premises Work Final Space Plan", "Landlord's Second Nineteenth Floor Premises Work", "Second Nineteenth Floor Premises Work Initial Plans", "Second Nineteenth Floor Premises Extra Work" and any similar terms referring to the Second Nineteenth Floor Premises shall be deemed modified to apply to the Third Nineteenth Floor Premises by changing the word "Second" to "Third" in each term. It being understood and agreed that Landlord shall have the right to Substantially Complete Landlord's Second Nineteenth Floor Premises Work and Landlord's Third Nineteenth Floor Premises Work on different dates and deliver the Second Nineteenth

Floor Premises and the Third Nineteenth Floor Premises on such different dates, as the case may be.

7. Modification of Tenant's Early Termination Right. Paragraph 9 of the First Amendment shall be deemed deleted in its entirety and the following shall be applicable in lieu thereof:

(A) Subject to the terms of this Paragraph 6, Tenant shall have the one-time only right to terminate the Lease, as amended hereby ("Tenant's Termination Right"), effective as of January 31, 2018 (the "Tenant's Termination Date") provided that (i) no Event of Default has occurred and is then continuing on the date that Tenant gives Landlord the Tenant's Termination Notice and (ii) Ophthotech Corporation is the Tenant hereunder on the date that Tenant gives Landlord the Tenant's Termination Notice (as hereinafter defined). Tenant shall have the right to exercise Tenant's Termination Right effective as of Tenant's Termination Date only by giving notice thereof (a "Tenant's Termination Notice") to Landlord not later than January 31, 2017 (as to which date time shall be of the essence). Tenant's exercise of Tenant's right to terminate the Lease, as amended hereby, as provided in this Paragraph 7 shall be ineffective unless Tenant pays to Landlord, on the date that Tenant gives the Termination Notice to Landlord, an amount equal to the Termination Payment (as hereinafter defined), as additional rent. If Tenant effectively exercises Tenant's right to terminate the Lease, as amended hereby, as of Tenant's Termination

Date as provided in this Paragraph 7, then Tenant, on Tenant's Termination Date, shall vacate the Premises and surrender the Premises to Landlord in accordance with the terms of this Lease, as amended hereby, that govern Tenant's obligations upon the expiration or earlier termination of the Term.

(B) The term "Termination Payment" shall mean an amount equal to the sum of (i) Three Hundred Seventy-Five Thousand Six Hundred Eighty-Five and 91/100 Dollars ($375, 685.91) which amount represents the sum of (I) the cost of Landlord's New Work and Landlord's Second Nineteenth Floor Premises Work and (ii) if applicable, the cost of Landlord's Third Nineteenth Floor Premises Work, the free rent to which Tenant is entitled pursuant to the First Amendment and this Amendment, and the brokerage commission that Landlord pays in connection with the First Amendment and this Amendment, to the extent that such amount remains unamortized as of the Tenant's Termination Date (assuming that such amount is amortized, in equal monthly installments, over the period from the date that Landlord incurs the applicable cost to the New Expiration Date, with an interest factor equal to eight percent (8%)) plus (II) an amount equal to the product obtained by multiplying (x) the Fixed Rent due under the Lease, as modified hereby, for both the First Nineteenth Floor Premises, the Second Nineteenth Floor Premises and if applicable the Third Nineteenth Floor Premises for January, 2018 (without taking into account any abatement or credit to which Tenant may be entitled during such month hereunder), by (y) three (3).

8. Liability of Landlord. The obligations of Landlord under the Lease, as amended by this Amendment, shall not be binding upon the Person that constitutes Landlord initially after the sale, conveyance, assignment or transfer by such Person of its interest in the Building or the Real Property, as the case may be (or upon any other Person that constitutes Landlord after the sale, conveyance, assignment or transfer by such Person of its interest in the Building or the Real Property, as the case may be), to the extent such obligations accrue from and after the date of such sale, conveyance, assignment or transfer. The members, managers, partners, shareholders, directors, officers and principals, direct and indirect, comprising Landlord

(collectively, the "Parties") shall not be liable for the performance of Landlord's obligations under the Lease, as amended by this Amendment. Tenant shall look solely to Landlord to enforce Landlord's obligations under the Lease, as amended by this Amendment and shall not seek any damages against any of the Parties. The liability of Landlord for Landlord's obligations under the Lease, as amended by this Amendment, shall be limited to Landlord's interest in the Real Property and the proceeds thereof. Tenant shall not look to any property or assets of Landlord (other than Landlord's interest in the Real Property and the proceeds thereof) in seeking either to enforce Landlord's obligations under the Lease, as amended hereby, or to satisfy a judgment for Landlord's failure to perform such obligations.

9. Brokerage.

(A) Tenant represents and warrants to Landlord that it has not dealt with any broker, finder or like agent in connection with this Amendment other than CBRE Inc. ("Broker"). Tenant does hereby indemnify and hold Landlord harmless of and from any and all loss, costs, damage or expense (including, without limitation, attorneys' fees and disbursements) incurred by Landlord by reason of any claim of or liability to any broker, finder or like agent other than Broker who shall claim to have dealt with Tenant in connection herewith.

(B) Landlord represents and warrants to Tenant that it has not dealt with any broker, finder or like agent in connection with this Amendment other than Broker. Landlord does hereby indemnify and hold Tenant harmless of and from any and all loss, costs, damage or expense (including, without limitation, attorneys' fees and disbursements) incurred by Tenant by reason of any claim of or liability to any broker, finder or like agent, including Broker, who shall claim to have dealt with Landlord in connection herewith. Landlord shall pay a commission to

Broker in connection with this amendment pursuant to a separate agreement between Broker and Landlord.

(C) The provisions of this Paragraph 9 shall survive the expiration or termination of the Lease, as amended by this Amendment.

10. Authorization. Tenant represents and warrants to Landlord that its execution and delivery of this Amendment has been duly authorized and that the person executing this Amendment on behalf of Tenant has been duly authorized to do so, and that no other action or approval is required with respect to this transaction. Landlord represents and warrants to Tenant that its execution and delivery of this Amendment has been duly authorized and that the person executing this Amendment on behalf of Landlord has been duly authorized to do so, and that no other action or approval is required with respect to this transaction.

11. Full Force and Effect of Lease. Except as modified by this Amendment, the Lease and all covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified and confirmed.

12. Entire Agreement. The Lease, as amended by this Amendment, constitutes the entire understanding between the parties hereto with respect to the Premises thereunder and may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

13. Enforceability. This Amendment shall not be binding upon or enforceable against either Landlord or Tenant unless, and until, Landlord and Tenant, each in its sole discretion, shall have executed and unconditionally delivered to the other an executed counterpart of this Amendment.

14. Counterparts. This Amendment may be executed in one or more counterparts each of which when taken together shall constitute but one original.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ONE PENN PLAZA LLC, Landlord

By: Vornado Realty L.P., sole member

By: Vornado Realty Trust, general partner

By: /s/ David R. Greenbaum
David R. Greenbaum
President – New York Division

OPHTHOTECH CORPORATION, Tenant

By: /s/ Thomas Biancardi
Name: Thomas Biancardi
Title: Vice President, Finance and Operations

TENANT'S EIN#: 20 818 5347

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Within New York State)

STATE OF)
: ss.:
COUNTY OF)

On the day of , in the year 2013, before me, the undersigned personally appeared , 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.

Notary Public

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Outside of New York State)

STATE OF NEW JERSEY)
: ss.:
COUNTY OF MERCER)

On the 20th day of December, in the year 2013, before me, the undersigned, personally appeared Thomas Biancardi 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), 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, and that such individual made such appearance before the undersigned in the Princeton. (Insert the city or other political subdivision and the state or country or other place the acknowledgement was taken.)

/s/ Melanie J. Rice
(Signature and office of individual
taking acknowledgement)

MELANIE J. RICE
A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 12, 2017

Exhibit “A”

Second Nineteenth Floor Premises

One Penn Plaza (N001) - Floor 19 - Floorplan

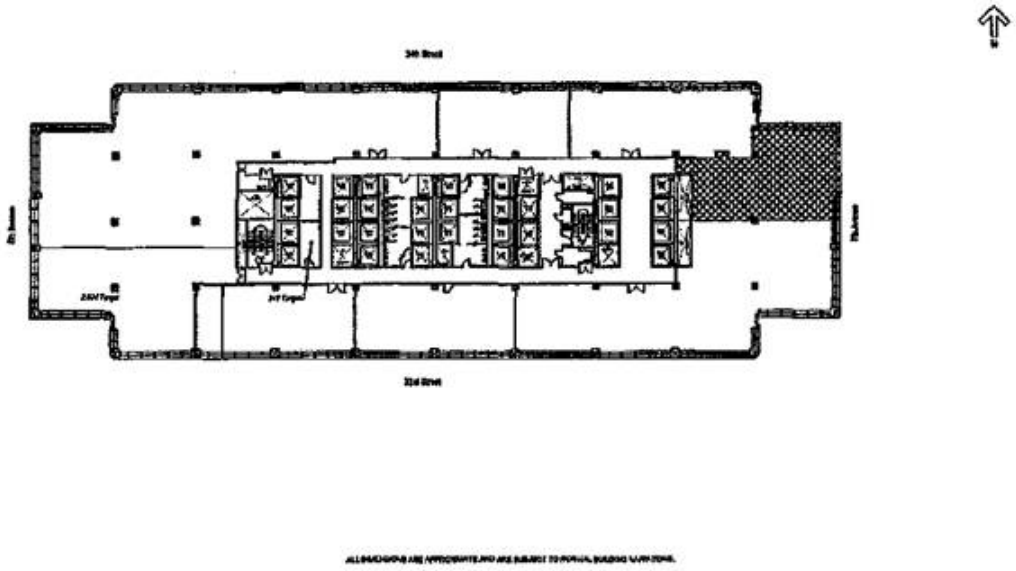


Exhibit “B”

Second Nineteenth Floor Premises Work Final Space Plan

(See Attached)

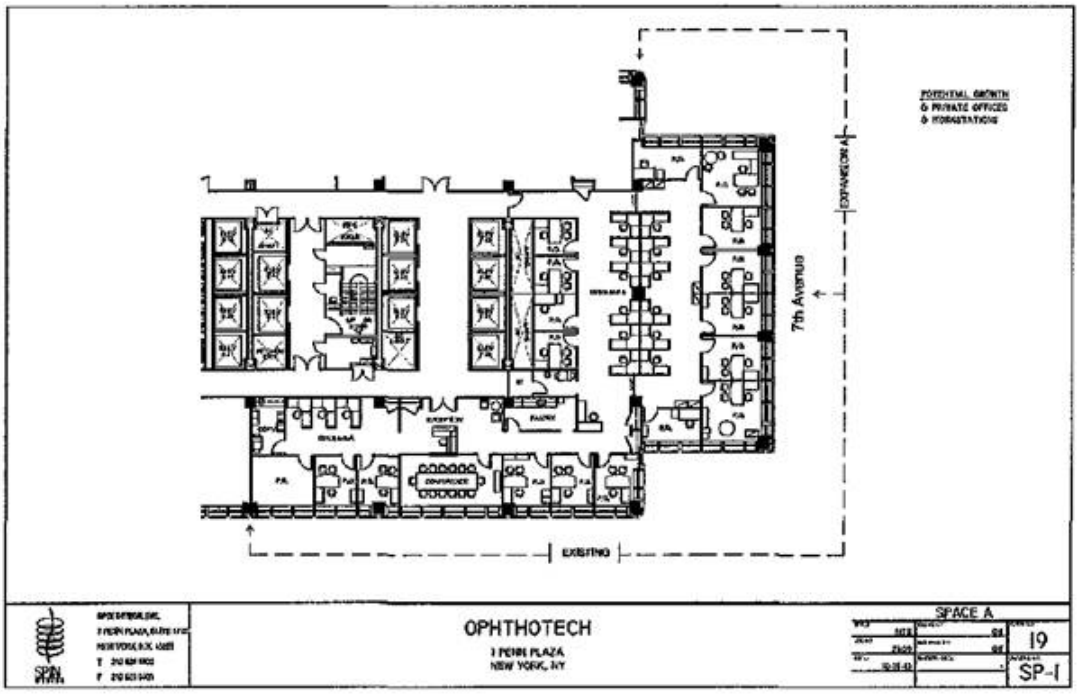
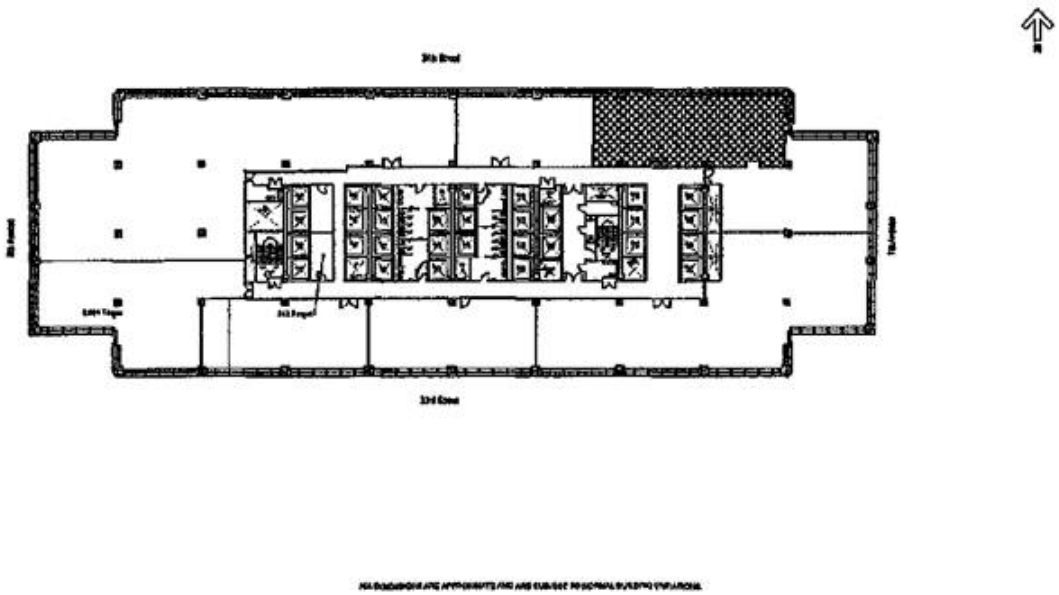


Exhibit “C”

“Third Nineteenth Floor Premises”

(See Attached)

One Penn Plaza (N001) - Floor 19 - Floorplan



THIRD AMENDMENT OF LEASE

THIS THIRD AMENDMENT OF LEASE, made as of the 18th day of April, 2014 (this "Amendment"), by and between ONE PENN PLAZA LLC, a New York limited liability company, having an office c/o Vornado Office Management LLC, 888 Seventh Avenue, New York, New York 10019 ("Landlord"), and OPHTHOTECH CORPORATION, a Delaware corporation, having an office at One Penn Plaza, New York, New York 10019 ("Tenant").

W I T N E S S E T H:

WHEREAS, by Lease, dated as of September 30, 2007 (the "Original Lease"), between Landlord and Tenant, Landlord did demise and let unto Tenant and Tenant did hire and take from Landlord, a portion of the rentable area located on the thirty-fifth (35th) floor of the building known by the street address of One Penn Plaza, New York, New York (the "Building"), as more particularly described therein (the "Original Premises");

WHEREAS, the Original Lease was amended and modified by a letter agreement, dated as of September 28, 2012 (as so amended, the "Letter Agreement"), between Landlord and Tenant;

WHEREAS, by Amendment of Lease, dated as of August 30, 2013 (the "First Amendment"), (x) Tenant surrendered the Original Premises to Landlord, (y) Landlord did demise and let unto to Tenant and Tenant did hire and take from Landlord, a portion of the nineteenth (19th) floor of the Building, as more particularly described therein (the "First 19th Floor Premises"), and (z) Landlord and Tenant extended the term of the Lease;

WHEREAS, by Second Amendment of Lease, dated as of December 20, 2013 (the "Second Amendment"; the Original Lease, as so amended, the "Lease"), Landlord did demise and let unto to Tenant and Tenant did hire and take from Landlord, an additional portion

of the nineteenth (19th) floor of the Building, as more particularly described therein (the "Second 19th Floor Premises"); and

WHEREAS, Landlord desires to lease to Tenant and Tenant desires to hire from Landlord an additional portion of the nineteenth (19th) floor of the Building, as more particularly shown on the floor plan attached hereto as Exhibit "A" and made a part hereof (the "Third 19th Floor Premises") and to otherwise modify the Lease as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their legal representatives, successors and assigns, hereby agree as follows:

1. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Lease, unless otherwise defined herein.

2. Third 19th Floor Premises. From and after the date on which Landlord delivers vacant and exclusive possession of the Third 19th Floor Premises to Tenant with Landlord's Third 19th Floor Premises Work (as hereinafter defined) Substantially Complete (such date, the "Third 19th Floor Premises Commencement Date"), Landlord leases to Tenant, and Tenant hires from Landlord, the Third 19th Floor Premises upon all of the same terms, covenants and conditions set forth in the Lease, except as modified and amended herein. From and after the Third 19th Floor Premises Commencement Date, all references in the Lease to the "Premises" shall be deemed to mean, collectively, the First 19th Floor Premises, the Second 19th Floor Premises and the Third 19th Floor Premises for all purposes of the Lease, as modified and amended hereby.

3. Modification of Lease. From and after the Third 19th Floor Premises Commencement Date, the Lease with respect to the Third 19th Floor Premises only, is hereby amended and modified as follows:

(A) The Fixed Rent shall be an amount equal to:

(i) One Hundred Eighty-Seven Thousand Four Hundred Forty-Three and 00/100 Dollars ($187,443.00) per annum for the period commencing on the Third 19th Floor Premises Commencement Date and ending on December 31, 2016 ($15,620.25 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease; provided; however, that if no Event of Default has occurred and is then continuing, the Fixed Rent for the period commencing on the Third 19th Floor Premises Commencement Date and ending on the Third 19th Floor Premises Rent Commencement Date (as hereinafter defined) shall be abated. The term "Third 19th Floor Premises Rent Commencement Date" shall mean, subject to Paragraph 6(I) hereof, the date which is sixty (60) days after the Third 19th Floor Premises Commencement Date; and

(ii) Two Hundred Three Thousand Three Hundred Twenty-Eight and 00/100 Dollars ($203,328.00) per annum for the period commencing on January 1, 2017 and ending on the New Expiration Date ($16,944.00 per month), payable in advance in equal monthly installments at the times and in the manner set forth in the Lease.

(B) The Rentable Area of the Third 19th Floor Premises is three thousand one hundred seventy-seven (3,177) square feet in the aggregate.

(C) The term "Base Taxes" (as such term is defined in Section 2.1(B) of the Lease) shall mean the average of the Taxes payable during the Base Tax Year.

(D) The term "Base Tax Year" (as such term is defined in Section

2.1(C) of the Lease) shall mean the period consisting of two (2) fiscal years which commences on July 1, 2013 and ends on June 30, 2015 (it being understood that the Tax Payment shall be due with respect to each Tax Year following the first Tax Year in the Base Tax Year).

(E) The term "Tenant's Tax Share" (as such term is defined in Section 2.1(I) of the Lease) shall mean, subject to the terms of the Lease, as amended hereby, one thousand three hundred six ten-thousandths percent (.1306%), as the same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million four hundred thirty-two thousand eight hundred fifty-one (2,432,851).

(F) Section 2.5 of the Lease (as set forth in Exhibit "B" to the First Amendment) shall be applicable to the Third 19th Floor Premises, provided that with respect to the Third 19th Floor Premises only, the term Tenant's Operating Expense shall mean one thousand four hundred ninety-seven ten-thousandths percent (.1497%), as same may be increased or decreased pursuant to the terms of the Lease, as amended hereby, which was calculated using a denominator of two million one hundred twenty-one thousand six hundred eighty-five (2,121,685) which is the Rentable Area of the Building, excluding the retail portion thereof.

(G) Section 5.1 of the Lease (as amended by the First Amendment) shall be applicable to the Third 19th Floor Premises:

(H) Pursuant to the terms of Section 5.3(J) of the Lease, Landlord hereby exercises the Submeter Conversion Right with respect to the Third 19th Floor Premises and the provisions of Section 5.4 of the Lease, as amended by Paragraph 3(I) of the First Amendment, shall be deemed applicable with respect to the Third 19th Floor Premises from and

after the Third 19th Floor Premises Commencement Date. For the avoidance of doubt, the provisions of Sections 5.3(A)-(I) of the Lease shall not be applicable to the Third 19th Floor Premises from and after the Third 19th Floor Premises Commencement Date. Landlord shall use commercially reasonable efforts to coordinate the installation of the submeter or submeters in the Third 19th Floor Premises simultaneously with the performance of Landlord's Third 19th Floor Premises Work; it being understood that in the event that it is not reasonably practicable for Landlord to install the submeter or submeters in the Third 19th Floor Premises simultaneously with the performance of Landlord's Third 19th Floor Premises Work, Landlord and Tenant shall cooperate with each other in good faith to coordinate the installation of such submeter or such submeters with Tenant's performance of the Initial Alterations in the Third 19th Floor Premises.

(J) The modifications to Sections 13.4, 14.1(A), 15.3(A), 15.3(B), 17.3(E)(2)(c)(ii) and 17.3(F)(3)(a) of the Lease, as set forth in Paragraph 3(J) of the First Amendment and the modification to Section 21.3(A)(2) of the Lease, as set forth in Paragraph 3(K) of the First Amendment, shall be applicable with respect to the Third 19th Floor Premises.

4. Modification of Lease. From and after the date hereof, the Lease is hereby amended and modified as follows:

(A) Notwithstanding anything to the contrary contained in the Lease, as amended hereby, including, without limitation, Article 23 thereof, all references in the Lease to the "Cash Security Deposit" are hereby deleted; it being the intent and purpose hereof that Tenant shall not have the right to maintain the security deposit in the form of cash.

(B) Paragraph 4 of the Second Amendment is hereby deleted in its entirety.

(C) Paragraph 7 of the Second Amendment is hereby deleted in its entirety; it being the intent and purpose hereof that Paragraph 9 of this Amendment shall be applicable in lieu thereof.

5. Condition of Premises. (A) Tenant represents that it has made a thorough inspection of the Third 19th Floor Premises and, subject to the provisions of Paragraph 6 hereof, agrees to take the Third 19th Floor Premises in its "as-is" condition existing on the Third 19th Floor Premises Commencement Date. Tenant further acknowledges and agrees that notwithstanding anything to the contrary contained in the Lease, as amended hereby, Landlord has made no representations with respect to the Third 19th Floor Premises and Landlord shall have no obligation to perform any work (other than Landlord's Third 19th Floor Premises Work) provide any work allowance or rent credit (other than as expressly set forth in Paragraph 3(A)(i) hereof), alter, improve, decorate, or otherwise prepare the Third 19th Floor Premises for Tenant's occupancy prior to the Third 19th Floor Premises Commencement Date. On the Third 19th Floor Premises Commencement Date, the Third 19th Floor Premises shall be in broom clean condition. Promptly following the Third 19th Floor Premises Commencement Date, Landlord shall deliver to Tenant a Form ACP-5 (or the then current equivalent thereof) covering the Third 19th Floor Premises.

6. Landlord's Third 19th Floor Premises Work. (A) Landlord shall, at Landlord's expense, but subject to Paragraph 7 hereof, perform the work necessary to construct the Premises in accordance with the Third 19th Floor Premises Final Plans (as hereinafter defined) to be prepared by Spin Design, Inc. ("Architect"), at Landlord's own cost and expense but subject to Paragraph 7 hereof, which Third19th Floor Premises Final Plans shall be based upon that certain drawing identified as LP-1, prepared by Architect and dated April 4, 2014 (the

"Third 19th Floor Premises Final Space Plan"), a copy of which is attached hereto as Exhibit "B" and made a part hereof (such work, "Landlord's Third 19th Floor Premises Work"). Notwithstanding the foregoing to the contrary, Landlord shall not be obligated to install any supplemental air-conditioning system furniture or built-ins or telecommunication wiring or equipment even if same are shown on the Third 19th Floor Premises Initial Plans (as hereinafter defined), the Third 19th Floor Premises Final Space Plan or the Third 19th Floor Premises Final Plans.

(B) Tenant shall cause Architect to deliver to Landlord on or prior to June 1, 2014 (the "Third 19th Floor Premises Plan Deadline") in the manner set forth in Paragraph 6(D) hereof, six (6) copies of the plans (the "Third 19th Floor Premises Initial Plans") for Landlord's Third 19th Floor Premises Work, which shall be (x) one hundred percent (100%) complete and ready to bid and build (including, without limitation, layout, architectural, mechanical, structural, engineering and plumbing drawings, to the extent applicable), (y) stamped and approved by Architect, and (z) in format containing sufficient detail (i) for Landlord and Landlord's consultants to reasonably assess the proposed work to prepare the Third 19th Floor Premises for Tenant's initial occupancy, and (ii) to permit Landlord to make all necessary filings with Governmental Authorities to obtain the required permits, approvals and certificates to allow Landlord to commence Landlord's Third 19th Floor Premises Work (the requirements set forth in clauses (x)-(z) hereof, the "Third 19th Floor Premises Plan Requirements").

(C) Tenant shall cause Architect to revise the Third 19th Floor Premises Initial Plans if and to the extent that Landlord objects or comments thereto and deliver to Landlord in the manner set forth in Paragraph 6(D) hereof, six (6) copies of the Third 19th Floor Premises Initial Plans, as so revised, which revised plans shall (i) address all of Landlord's

objections and comments to Landlord's reasonable satisfaction and (ii) satisfy all of the Third 19th Floor Premises Plan Requirements (the Third 19th Floor Premises Initial Plans either (x) revised as aforesaid, or (y) if Landlord shall not object or comment thereto, as applicable, shall constitute the "Third 19th Floor Premises Final Plans"). Tenant shall deliver or cause Architect to deliver the Third 19th Floor Premises Final Plans to Landlord on or prior to the earlier to occur of (x) the date which is five (5) days following the date that Landlord gives Tenant Landlord's objections and/or comments, if any, to Tenant's Third 19th Floor Premises Initial Plans and (y) July 1, 2014 (such earlier date, the "Third 19th Floor Premises Revision Deadline").

(D) Notwithstanding anything to the contrary set forth in this Lease, Tenant shall (I) deliver or cause Architect to deliver (x) five (5) copies of the Third 19th Floor Premises Initial Plans and the Third 19th Floor Premises Final Plans to Landlord at the Building, Attention: Property Manager and (y) one (1) copy of the Third 19th Floor Premises Initial Plans and the Third 19th Floor Premises Final Plans to Landlord, c/o Vornado Office Management LLC, 888 Seventh Avenue, 44th Floor, New York, New York 10019, Attention: Steve Sonitis and (II) cause the Third 19th Floor Premises Initial Plans and the Third 19th Floor Premises Final Plans to be clearly labeled in large, bold, capitalized font on the exterior thereof **"TENANT'S PLANS ENCLOSED- TIME SENSITIVE"**.

(E) Landlord shall perform Landlord's Third 19th Floor Premises Work in a good and workmanlike manner. Landlord shall perform Landlord's Third 19th Floor Premises Work in accordance with all applicable Requirements.

(F) Landlord shall have the right to delegate Landlord's obligations to perform all or any portion of Landlord's Third 19th Floor Premises Work to an affiliate of Landlord (it being understood, however, that Landlord's delegating such obligations to an

affiliate of Landlord shall not diminish Landlord's liability for the performance of Landlord's Third 19th Floor Premises Work in accordance with the terms of this Paragraph 6). Landlord shall also have the right to assign to such affiliate of Landlord the rights of Landlord hereunder to receive from Tenant the

payments for the performance of the portions of Landlord's Third 19th Floor Premises Work pursuant to Paragraph 7 hereof (it being understood that if (i) Landlord so assigns such rights to such affiliate of Landlord, and (ii) Landlord gives Tenant notice thereof, then Tenant shall pay directly to such affiliate any such amounts otherwise due and payable to Landlord hereunder). Landlord shall not be required to maintain or repair during the Term any items of Landlord's Third 19th Floor Premises Work except as otherwise expressly provided in the Lease, as amended hereby, it being agreed that Landlord shall make available to Tenant all guaranties or warranties received by Landlord in connection with Landlord's Third 19th Floor Premises Work to the extent such guaranties and warranties shall not be rendered invalid thereby.

(G) Landlord shall notify Tenant in accordance with Paragraph 8 hereof, if any items on the Third 19th Floor Premises Final Plans constitute items of Long Lead Work and advise Tenant of the reasonably anticipated time period for the delivery of such items, and subject to the terms hereof, Tenant shall have two (2) Business Days from receipt of such notice to revise such plans to change or remove such items; provided, however, in such event, to the extent Tenant revises the Third 19th Floor Premises Final Plans, any period beyond such two (2) Business Day period shall constitute a Tenant Third 19th Floor Premises Work Delay, subject to the terms of Paragraph 6(H) hereof.

(H) The term "Tenant Third 19th Floor Premises Work Delays" shall mean Tenant's acts or omissions (including, without limitation, (w) changes or change orders to

plans or finishes, (x) the failure to deliver or cause Architect to deliver the Third 19th Floor Premises Initial Plans to Landlord on or prior to the Third 19th Floor Premises Plan Deadline, and/or the failure to deliver or cause Architect to deliver the Third 19th Floor Premises Final Plans to Landlord on or prior to the Third 19th Floor Premises Revision Deadline, in either case in compliance with the Third 19th Floor Premises Plan Requirements and in accordance with the provisions of Paragraph 6(D) hereof, (y) delays or failures to notify or respond to requests of Landlord and/or (z) the failure to make any of the payments required by Paragraph 7 hereof within the time periods specified therein) that delay Landlord in the performance of Landlord's Third 19th Floor Premises Work.

(I) Notwithstanding anything to the contrary contained in this Amendment, in the event that Substantial Completion of Landlord's Third 19th Floor Premises Work shall be delayed by reason of any Tenant Third 19th Floor Premises Work Delays and/or items of Long Lead Work, then only for purposes of determining the date on which the Third 19th Floor Premises Rent Commencement Date shall occur, the Third 19th Floor Premises Commencement Date and the Substantial Completion of Landlord's Third 19th Floor Premises Work shall each be deemed to have occurred on the date the same would have otherwise occurred but for such Tenant Third 19th Floor Premises Work Delays and/or such items of Long Lead Work, notwithstanding that Landlord has not yet delivered possession of the Third 19th Floor Premises to Tenant.

(J) To the extent that Landlord has performed all or any part of Landlord's Third 19th Floor Premises Work using Landlord's Contribution (as hereinafter defined), Tenant during the Term, shall not remove Landlord's Third 19th Floor Premises Work or any portion thereof (or Alterations that replace Landlord's Third 19th Floor Premises Work (or

such portion thereof) unless Tenant replaces Landlord's Third 19th Floor Premises Work (or such portion thereof), or such Alterations, as the case may be, with Alterations that have a fair value that is equal to or greater than such portion of Landlord's Third 19th Floor Premises Work (it being understood that such Alterations that Tenant performs to replace Landlord's Third 19th Floor Premises Work (or such portion thereof), or such other Alterations, as the case may be, shall constitute the property of Landlord as contemplated by this Paragraph 6(J).

7. Landlord's Contribution to Third 19th Floor Premises Work Cost.

(A) Subject to the terms of this Paragraph 7, Tenant shall pay to Landlord, as additional rent, an amount equal to the excess, if any, of (I) the Third 19th Floor Premises Work Cost, over (II) One Hundred Seventy-Four Thousand Seven Hundred Thirty-Five Dollars and No Cents ($174,735.00) (such amount, "Landlord's Contribution"; the amount of any such excess being referred to herein as "Tenant's Third 19th Floor Premises Work Cost"). The term "Third 19th Floor Premises Work Cost" shall mean the sum of (x) the "hard" costs that Landlord incurs in performing Landlord's Third 19th Floor Premises Work and (y) the "soft" costs that Landlord incurs in performing Landlord's Third 19th Floor Premises Work, such as architects' and engineers' fees, permit costs, and filing fees, and the cost of electricity consumed at the Third 19th Floor Premises during the performance of Landlord's Third 19th Floor Premises Work; provided that in no event shall Tenant be entitled to use more than twenty percent (20%) of Landlord's Contribution towards such "soft" costs.

(B) Landlord shall submit to at least three (3) reputable construction companies as reasonably designated by Landlord, with reasonable promptness after the date Landlord receives the Third 19th Floor Premises Final Plans, a bid package that describes Landlord's Third 19th Floor Premises Work. Landlord shall use Landlord's diligent efforts to

obtain from each of such construction companies a bona fide bid to perform Landlord's Third 19th Floor Premises Work. Landlord shall have the right to request that the construction companies submit alternative bids, assuming, for example, that (a) the construction company acts as a general contractor for a fixed price, (b) the construction company acts as a construction manager for a construction management fee (without providing a guaranteed maximum price), and (c) the construction company acts as a construction manager for a construction management fee and provides a guaranteed maximum price. Landlord shall advise Tenant of Landlord's receipt of the bids from the aforesaid construction companies. Tenant shall have three (3) Business Days to review such bids and modify the Third 19th Floor Premises Final Plans or any items described therein in an attempt to lower the amount of such bids. Following such three (3) Business Day period, Landlord shall have the right to let the construction contract to the lowest responsible bidder (with the understanding that Landlord shall have the right to exercise Landlord's reasonable business judgment in selecting the form of contractual arrangement for the construction contract) (the aforesaid construction contract that Landlord lets for Landlord's Third 19th Floor Premises Work being referred to herein as the "Construction Contract").

(C) Landlord shall have the right to give to Tenant, after Landlord lets the Construction Contract, a notice of Landlord's reasonable estimate of the Third 19th Floor Premises Work Cost and the Tenant's Third 19th Floor Premises Work Cost that derives therefrom (such notice being referred to herein as the "Work Estimate Notice"). Tenant shall pay to Landlord, within ten (10) Business Days after the date that Landlord gives such notice to Tenant, an amount equal to Tenant's Third 19th Floor Premises Work Cost as reflected in the Work Estimate Notice (any such payment that Tenant makes to Landlord being referred to herein as the "Original Work Estimate Payment"). In the event that Landlord's reasonable estimate of

the Third 19th Floor Premises Work Cost increases during Landlord's performance of Landlord's Third 19th Floor Premises Work, Landlord shall have the right, from time to time, to give to Tenant a revised notice of Landlord's reasonable estimate of the Third 19th Floor Premises Work Cost and the Tenant's Third 19th Floor Premises Work Cost that derives therefrom (any such notice being referred to herein as the "Revised Work Estimate Notice"). Tenant shall pay to Landlord, within ten (10) Business Days after the date that Landlord gives a Revised Work Estimate Notice to Tenant, an amount equal to the difference between (x) the Tenant's Third 19th Floor Premises Work Cost as reflected in the Revised Work Estimate Notice and (y) the amount of the Original Work Estimate Payment plus the amount(s) of any other Increased Work Estimate Payments that Tenant has theretofore paid to Landlord and which Landlord has received (any such payment that Tenant makes to Landlord pursuant to a Revised Work Estimate Notice being referred to herein as an "Increased Work Estimate Payment"; the Original Work Estimate Payment, together with any Increased Work Estimate Payment(s), if any, the "Work Estimate Payment"). Landlord shall give to Tenant, within sixty (60) days after the date that Landlord Substantially Completes Landlord's Third 19th Floor Premises Work, a notice that sets forth the Third 19th Floor Premises Work Cost therefor and the Tenant's Third 19th Floor Premises Work Cost that derives therefrom (such notice being referred to herein as the "Final Cost Notice"). Landlord shall have the right to cease performance of Landlord's Third 19th Floor Premises Work if Tenant fails to make any of the aforesaid payments within the time periods set forth herein. Tenant shall pay to Landlord, within ten (10) Business Days after the date that Landlord gives the Final Cost Notice to Tenant, an amount equal to the excess (if any) of (I) Tenant's Third 19th Floor Premises Work Cost, as reflected in the Final Cost Notice, over (II) the Work Estimate Payment (if any). Landlord shall pay to Tenant, within thirty (30) days after the

date that Landlord gives the Final Cost Notice to Tenant, an amount equal to the excess (if any) (I) the Work Estimate Payment, over (II) Tenant's Third 19 th Floor Premises Work Cost as reflected in the Final Cost Notice.

8. Notices Regarding Landlord's Third 19th Floor Premises Work. Notwithstanding the provisions of Article 27 of the Lease, as amended hereby to the contrary, any notices required to be given pursuant to Paragraphs 7 and 8 of this Amendment shall be deemed given if sent to Tenant via electronic mail to the attention of Tom Biancardi at tom. biancardi@ophthotech. com.

9. Tenant's Early Termination Right. (A) Subject to the terms of this Paragraph 9, Tenant shall have the one-time only right to terminate the Lease, as amended hereby ("Tenant's Termination Right"), effective as of January 31, 2018 (the "Tenant's Termination Date") provided that (i) no Event of Default has occurred and is then continuing on the date that Tenant gives Landlord the Tenant's Termination Notice and (ii) Ophthotech Corporation is the Tenant hereunder on the date that Tenant gives Landlord the Tenant's Termination Notice (as hereinafter defined). Tenant shall have the right to exercise Tenant's Termination Right effective as of Tenant's Termination Date only by giving notice thereof (a "Tenant's Termination Notice") to Landlord not later than January 31, 2017 (as to which date time shall be of the essence). Tenant's exercise of Tenant's right to terminate the Lease, as amended hereby, as provided in this Paragraph 7 shall be ineffective unless Tenant pays to Landlord, on the date that Tenant gives the Termination Notice to Landlord, an amount equal to the Termination Payment (as hereinafter defined), as additional rent. If Tenant effectively exercises Tenant's right to terminate the Lease, as amended hereby, as of Tenant's Termination Date as provided in this Paragraph 9, then Tenant, on Tenant's Termination Date, shall vacate the

Premises and surrender the Premises to Landlord in accordance with the terms of this Lease, as amended hereby, that govern Tenant's obligations upon the expiration or earlier termination of the Term.

(B) The term "Termination Payment" shall mean an amount equal to Five Hundred Thirty-Nine Thousand Thirty-Seven and 34/100 Dollars ($539,037.34) which amount represents the sum of (I) (x) the cost of Landlord's New Work (as defined in the First Amendment), (y) the cost of Landlord's Second Nineteenth Floor Premises Work (as defined in the Second Amendment), (z) Landlord's Contribution, plus (II) the free rent to which Tenant is entitled pursuant to the First Amendment, the Second Amendment and this Amendment, plus (III) the brokerage commission that Landlord paid or pays in connection with the First Amendment, the Second Amendment and this Amendment, to the extent that the amounts set forth in (I), (II) and (III) remain unamortized as of the Tenant's Termination Date (assuming that such amount is amortized, in equal monthly installments, over the period from the date that Landlord incurs the applicable cost to the New Expiration Date, with an interest factor equal to eight percent (8%)) plus (IV) an amount equal to the product obtained by multiplying (x) the Fixed Rent due under the Lease, as amended hereby, for each of the First 19th Floor Premises, the Second 19th Floor Premises and the Third 19th Floor Premises for the month January, 2018 (without taking into account any abatement or credit to which Tenant may be entitled during such month pursuant to the Lease, as amended hereby), by (y) three (3).

10. Liability of Landlord. The obligations of Landlord under the Lease, as amended by this Amendment, shall not be binding upon the Person that constitutes Landlord initially after the sale, conveyance, assignment or transfer by such Person of its interest in the

Building or the Real Property, as the case may be (or upon any other Person that constitutes Landlord after the sale, conveyance, assignment or transfer by such Person of its interest in the Building or the Real Property, as the case may be), to the extent such obligations accrue from and after the date of such sale, conveyance, assignment or transfer. The members, managers, partners, shareholders, directors, officers and principals, direct and indirect, comprising

Landlord (collectively, the "Parties") shall not be liable for the performance of Landlord's obligations under the Lease, as amended by this Amendment. Tenant shall look solely to Landlord to enforce Landlord's obligations under the Lease, as amended by this Amendment and shall not seek any damages against any of the Parties. The liability of Landlord for Landlord's obligations under the Lease, as amended by this Amendment, shall be limited to Landlord's interest in the Real Property and the proceeds thereof. Tenant shall not look to any property or assets of Landlord (other than Landlord's interest in the Real Property and the proceeds thereof) in seeking either to enforce Landlord's obligations under the Lease, as amended hereby, or to satisfy a judgment for Landlord's failure to perform such obligations.

11. Brokerage.

(A) Tenant represents and warrants to Landlord that it has not dealt with any broker, finder or like agent in connection with this Amendment other than CBRE Inc. ("Broker"). Tenant does hereby indemnify and hold Landlord harmless of and from any and all loss, costs, damage or expense (including, without limitation, attorneys' fees and disbursements) incurred by Landlord by reason of any claim of or liability to any broker, finder or like agent other than Broker who shall claim to have dealt with Tenant in connection herewith.

(B) Landlord represents and warrants to Tenant that it has not dealt with any broker, finder or like agent in connection with this Amendment other than Broker.

Landlord does hereby indemnify and hold Tenant harmless of and from any and all loss, costs, damage or expense (including, without limitation, attorneys' fees and disbursements) incurred by Tenant by reason of any claim of or liability to any broker, finder or like agent, including Broker, who shall claim to have dealt with Landlord in connection herewith. Landlord shall pay a commission to Broker in connection with this amendment pursuant to a separate agreement between Broker and Landlord.

(C) The provisions of this Paragraph 11 shall survive the expiration or termination of the Lease, as amended by this Amendment.

12. Authorization. Tenant represents and warrants to Landlord that its execution and delivery of this Amendment has been duly authorized and that the person executing this Amendment on behalf of Tenant has been duly authorized to do so, and that no other action or approval is required with respect to this transaction. Landlord represents and warrants to Tenant that its execution and delivery of this Amendment has been duly authorized and that the person executing this Amendment on behalf of Landlord has been duly authorized to do so, and that no other action or approval is required with respect to this transaction.

12. Full Force and Effect of Lease. Except as modified by this Amendment, the Lease and all covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified and confirmed.

13. Entire Agreement. The Lease, as amended by this Amendment, constitutes the entire understanding between the parties hereto with respect to the Premises thereunder and may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

14. Enforceability. This Amendment shall not be binding upon or enforceable against either Landlord or Tenant unless, and until, Landlord and Tenant, each in its sole discretion, shall have executed and unconditionally delivered to the other an executed counterpart of this Amendment.

15. Counterparts. This Amendment may be executed in one or more counterparts each of which when taken together shall constitute but one original.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ONE PENN PLAZA LLC, Landlord

By: Vornado Realty L.P., sole member

By: Vornado Realty Trust, general partner

By: /s/ David R. Greenbaum
David R. Greenbaum
President – New York Division

OPHTHOTECH CORPORATION, Tenant

By: /s/ Thomas Biancardi
Name: Thomas Biancardi
Title: VP, Finance & Operations

TENANT'S EIN#: 20-8185347

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Within New York State)

STATE OF)
: ss.:
COUNTY OF)

On the day of , in the year 2014, before me, the undersigned personally appeared , 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.

Notary Public

UNIFORM FORM CERTIFICATE OF ACKNOWLEDGMENT
(Outside of New York State)

STATE OF New Jersey)
: ss.:
COUNTY OF Mercer)

On the 7 day of April, in the year 2014, before me, the undersigned, personally appeared Thomas Biancardi 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), that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, execute the instrument, and that such individual made such appearance before the undersigned in the Princeton, NJ. (Insert the city or other political subdivision and the state or country or othe place the acknowledgement was taken.)

/s/ Jennifer E Chocolate
(Signature and office of individual taking acknowledgement)

Jennifer E Chocolate
Notary Public of New Jersey
My Commission Expires August 28, 2018

Exhibit "A"

Third 19th F1oor Premises

One Penn Plaza (N4001) - Floor 19 - Floorplan

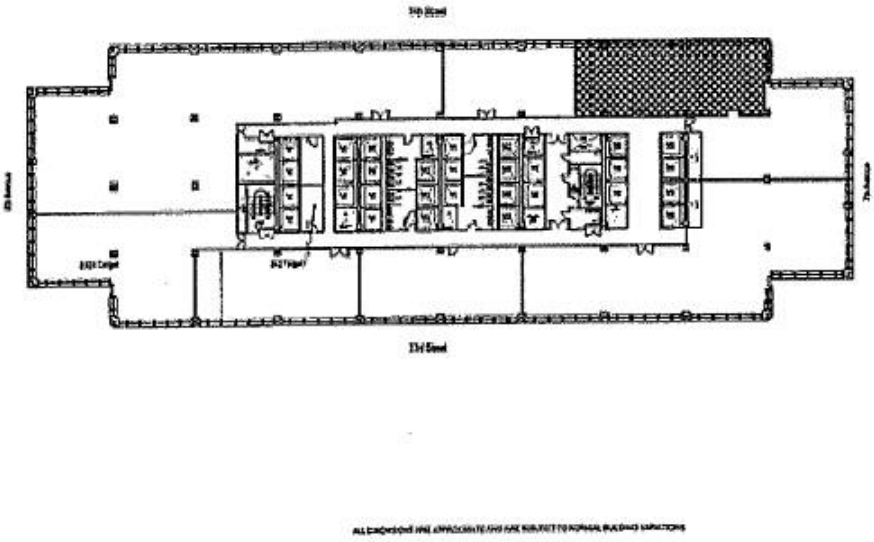


Exhibit “B”

Third 19th Floor Premises Final Space Plan

(See Attached)

Exhibit 31.1

CERTIFICATIONS

I, David R. Guyer, M.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ophthotech Corporation;

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

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

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

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

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

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

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

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

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

Date: May 13, 2014

By: /s/ David R. Guyer
David R. Guyer, M.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Bruce A. Peacock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ophthotech Corporation;

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

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

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

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

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

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

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

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

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

Date: May 13, 2014

By: /s/ Bruce A. Peacock
Bruce A. Peacock
Chief Financial and Business Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ophthotech Corporation (the "Company") for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, David R. Guyer, M.D., Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 13, 2014

By: /s/ David R. Guyer
David R. Guyer M.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ophthotech Corporation (the "Company") for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Bruce A. Peacock, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 13, 2014

By: /s/ Bruce A. Peacock
Bruce A. Peacock
Chief Financial and Business Officer
(Principal Financial Officer)